

BUDGET HIGHLIGHTS

# 40% higher tax rate replaces five others

A single higher rate of income tax of 40 per cent replaces the existing five higher rates up to 60 per cent. The basic rate is cut from 27p to 25p and the Chancellor's target is a basic rate of 20 per cent. Personal allowances go up by 7.4 per cent — twice the amount needed to compensate for last year's inflation. A single person's allowance rises by £180 to £2,605 and a married man's allowance by £300 to £4,095. The threshold for the new higher rate of 40 per cent is £19,300, up from £14,400. The rates apply to the tax year beginning on April 6 and their impact on salaries will be felt on the first pay day after June 14.

## Married taxation to go

The existing taxation system for married couples will be scrapped from April 1990 and replaced with independent taxation. A husband and wife will be taxed separately on earnings, savings, pensions and any other income and married women will have complete privacy and independence. The married man's allowance and the wife's earned income allowance will disappear. All taxpayers will have a personal allowance replacing the present single person's allowance. To prevent a tax penalty for marriage a married couple's allowance will be introduced.

## Petrol, drink, tobacco rise

Excise duties rise broadly with inflation. Main changes from last night are: leaded petrol up 5.5p per gallon, unleaded petrol no change, duty 5p, beer and cider up 1p a pint, table wine up 4p, and sparkling or fortified wine up 6p. There is no change for spirits. A packet of 20 cigarettes will rise 3p from midnight on Thursday and five small cigars by 2p. No change in pipe tobacco. Vehicle excise duty stays at £100.

## Company car scale double

The taxation scale charges for company cars are to be doubled in 1988-89 in a determined assault on perks. The Chancellor said they were substantially undervalued and the discrepancy was too great to be allowed to continue. For example, an existing £700 scale charge on a 1.6 litre vehicle, worth at least £2,000 to an employee, will rise to £1,400 in 1988-89. Car fuel scale charges are unchanged.

## £3bn public sector surplus

The public sector is projected to be in surplus by £3 billion in 1988-89, £7 billion less than the previous forecast of a £4 billion deficit. The Chancellor said the public sector borrowing requirement should now be known as the public sector debt repayment and in future a zero PSBR would be the norm. Economic growth for 1988 is forecast at 3 per cent, up 0.5 per cent from the last projection. Inflation by the end of the year is expected to be 4 per cent, 0.5 per cent lower than the previous forecast.

## Aiding small companies

The Business Expansion Scheme is to be targeted on smaller companies through a new £500,000 limit on the total investment in any company in any 12-month period (£25 million for ship-charterers). To boost the private rented sector currently the target of deregulation, the BES is extended to companies letting houses or flats on assured tenancies. This relief should be available from the end of July this year and will apply until 1993 with a total investment limit of £5 million in any 12-month period.



## Capital gains exemption

Capital gains accrued before March 31, 1982 are to be exempt from tax to end what the Chancellor described, in a reference to the soaring prices of the 1970s, the injustice of taxing purely inflationary gains. The new base date applies from April 6. Gains made since 1982 will be taxed and the thresholds for individuals will be reduced from £6,600 to £5,000 for individuals and from £3,300 to £2,500 for trusts. Gains will be taxed at the marginal rates of income tax — 25 per cent or 40 per cent — as if they were a marginal slice of income.

## Covenants simplified

The tax regime surrounding covenants and maintenance payments involving transfers in families is simplified from yesterday. For non-charitable covenants, for instance from parents to student children, the tax relief for the donor and the liability for the recipient are both abolished.

## Mortgage tax restriction

Mortgage tax relief of £30,000 will be restricted to one allowance per dwelling in a move ending the anomaly under which unmarried couples can get relief on loans up to £30,000 apiece while married couples share a single ration of relief. The change is for new mortgages from August.

## Other main points

- VAT still 15 per cent. Registration threshold rises in line with inflation to £22,100. All confectionery cereal bars liable for VAT from May 1.
- Home improvement loan tax relief abolished from April 6; existing loans unaffected. Mortgage interest relief ceiling still £30,000.
- Corporation tax still 35 per cent. Small companies rate down from 27 per cent to 25 per cent; advance corporation tax rate cut in line with basic income tax rate.
- Royalties for all post-1982 oil, gas fields in Southern Basin and onshore abolished.
- Personal equity plan limit rises from £2,400 to £3,000 for FEP from 1988.
- Insurance tax threshold rises from £90,000 to £110,000 from yesterday; present four rates replaced by flat rate 40 per cent.

# Uproar at Chancellor's 'rich man's Budget'

# Lawson's tax triumph

By David Brewerton

Mr Nigel Lawson, the Chancellor of the Exchequer, scored a personal triumph yesterday with one of the most radical tax-reforming Budgets this century.

At the same time he celebrated a victory over the Prime Minister, making clear that he will continue to run economic policy and that he will, if necessary, intervene in the foreign exchange markets to prevent the pound rising too far.

Mr Lawson has slashed the top rate of tax from 60 to 40 per cent and carved 2p in the pound off basic rate. The tax cuts, adding up to £2.5 billion, will add an average of nearly £5 a week to pay packets. Nowhere in the tax system is there now a tax rate higher than 40 per cent.

The promise of a basic rate of 25p in the pound made in the election manifesto has been fulfilled in Mr Lawson's "tax reform budget", which has swept away the numerous bands of tax which less than a decade ago went up to 83 per cent.

There will now be just two income tax bands, 25p and 40p. Allowances have been increased by double the amount required to keep them in line with inflation. Mr Lawson said the basic rate thresholds will be 25 per cent higher, in real terms, than they were in 1978-79 when the Conservative Government came to office.

Further cuts and overdue reforms are on the way, including reform of husband and wife taxation which has lasted 180 years.

The Chancellor has set himself the target of reducing the basic rate of income tax to 20 per cent "as soon as we prudently and sensibly can". However he said that he believed the 40 per cent rate "is an acceptable top rate of tax".

At the end of his 105-minute Budget speech, twice interrupted by disturbances in the House, Mr Lawson declared: "I have balanced the budget."

The Chancellor "gave away" £4.25 billion in the budget, about £1 billion more than had been expected, and still expects that there will be a repayment of public sector borrowing of some £3 billion.

He pointed out that in his autumn statement last year he promised to spend at least £1.1 billion more on health, at least £900 million more on education and at least £500 million more on law and order, than in the year just ending.

There were no changes to

those figures yesterday.

Mr Lawson is to reform the taxation of husband and wife to give married women "the same privacy and independence in their tax affairs as everyone else". And he is to bring to an end the ways in which the tax system can penalize marriage.

Mr Lawson told MPs he had been guided by four basic principles. "First, the need to reduce tax rates where they are clearly too high. Second, the need to reduce or abolish unwarranted tax breaks. Third, the need to make life a little simpler for the taxpayer. And, fourth, the need to remove some manifest injustices from the system."

However, the changes are

Budget details	13-20
Budget diary	15
Comment	15
Leading article	21
Parliament	18, 19
Budget sketch	32

not all "giveaways". Mr Lawson has come down hard on company cars where he is doubling the car scales for 1988-89, instead of increasing them by 10 per cent as had already been announced.

He is also risking the wrath of some of his own supporters by taxing deeds of covenant, which are used by parents and grandparents for student maintenance. Existing arrangements will not be affected, but in future covenants will be taken out of the tax system altogether. This means that those providing the money will get no tax relief, but those in receipt of the covenanted funds will not pay tax on them. Details of changes to the grants will be announced today.

Mr Lawson is also making a change to the taxation of maintenance payments to divorced or separated spouses, effectively limiting the relief on the payer to the difference between married and single allowances.

The existing tax relief on mortgage interest is to remain, but the £30,000 limit will be applied to the house or flat, regardless of how many borrowers are paying the mortgage.

The Building Societies Association said that the move was likely to push up house prices in the short term as single people rushed to complete their joint purchases by August. "After August, it will be much more difficult for single people to buy houses, particularly in London and the South-east," said a spokesman.

The change would mean that two unmarried basic rate taxpayers buying a house will

Continued on page 32, col 7



# City cooler on prospect of quick base rate cut

By David Smith, Economics Correspondent

Prospects for a post-Budget cut in base rates were in doubt last night, after the Bank of England stemmed the pound's rise and reaction of the financial markets to the Budget was mixed.

City analysts said that while a cut in base rates was on the cards if the pound rose strongly in the next few days, the Chancellor had done nothing to encourage the prospect of lower rates.

Mr Lawson's brief remarks on monetary policy, and his comment that Britain would "play our full part" in stabilizing exchange rates, failed to remove the doubts over policy that have emerged in the past 10 days with his public disagreement with the Prime Minister on exchange rate policy.

In New York last night, the pound was quoted at DM3.08, after rising to above DM3.09

during the Budget speech. Foreign exchange dealers said that the Bank of England had initially restrained the pound during the Budget speech, but its rise later ran out of steam.

"A base rate cut is slightly less likely than at the beginning of the Budget speech", said Mr John Sheppard, economist at Warburg Securities. "Unless there is a wall of money waiting to flood into sterling, we may not see lower base rates."

Dealers believe that unless the pound pushes hard at the DM3.10 level, there will be no action by the Government to trim base rates.

The financial markets had discounted most of the Budget package, including a sizeable surplus for the public sector borrowing requirement. Mr Lawson's target of a £3 billion public sector debt repayment

was less than eve-of-Budget City expectations.

The overall tax cuts of £4 billion were seen in the City as risking a sharper deterioration in the balance of payments, and ultimately a bigger fall in sterling.

The gilt-edged market fell by around 1½ points between the beginning and the end of the Budget speech. Shares were encouraged by the tax cuts announced by the Chancellor, but the FT-SE 100 index, which closed 20.4 points up at 1,839.9, was below its best for the day.

Mr Steven Bell, economist at Morgan Grenfell, said: "There are fewer people talking about lower base rates now."

Money market interest rates, which fell before the speech, hardened and were not indicating an imminent cut in base rates last night.

# Labour fury halts speech

By Robin Oakley  
Political Editor

The Chancellor's statement sparked off a political storm and led to the suspension of the Commons during a Budget speech for the first time in living memory.

Left wing Labour MPs, calling it a rich man's budget, promised the most bitterly fought Finance Bill there has ever been, while furious Government whips complained at the failure of the Labour Front Bench to control its MPs after their chanting of "shame" and continual uproar forced Mr Harold Walker, the deputy Speaker, to suspend the sitting for MPs to cool down.

Mr Anthony Beaumont-Dark, Conservative MP for Birmingham Selly Oak, complained of the Labour disruption, while followed a deliberately staged protest by Scottish Nationalist MP Mr Alex Salmond which had him suspended from the chamber.

Angry Ministers gestured at Mr Neil Kinnock during the disturbances to control the row behind him and were furious that he and Mr Frank Dobson, the Shadow Leader of the House, and Mr Derek Foster, the Labour Chief Whip, did nothing to restrain the angry Labour MPs. But Mr Kinnock did later condemn the disruption.

Mr Brian Sedgemore, Labour MP for Hackney and Shoreditch and one of the core of Campaign Group MPs who headed the protests, said afterwards that it had been "spontaneous anger, the like of which I've never seen in the Commons. It embraced all wings of the party."

"This is a Budget for the rich and for the Richmen. The new Business Expansion Scheme to give people tax relief on rented private property is astonishing."

The Budget, he said, was "immoral and putrid", and he predicted that Labour MPs would make it the most bitterly contested Finance Bill in living memory.

Mr Lawson condemned the Labour disruption of the Commons, saying: "I thought the behaviour was an absolute disgrace. I was very glad the Leader of the Opposition rebuked the rowdy elements in his party. It was an appalling scene."

Continued on page 32, col 3

# 'Top-up loan' clamp angers builders

By Christopher Warman,  
Property Correspondent

The Chancellor yesterday moved to prevent abuse of the "top-up loan", one of the biggest growth areas of building society lending in the past 15 years.

Obviously given for such improvements as central heating or double glazing, home improvement loans from building societies have become a means of getting cheap money, through mortgage tax relief, for a car or foreign holiday.

Until the past year or two, building societies carefully checked that the money was

being used for the correct purposes. But increased competition from banks and other lending institutions, and the ample supply of funds, has led to a more lenient view of the destination of the loans. It has led to the standing joke from one neighbour to another: "I see you are driving a new home improvement."

From 1970 to 1986, the latest year full statistics are available, the total of further loans on existing building society mortgages were up from £42 million (2.2 per cent of total mortgages) to £2,908 million (8.1 per cent).

The Treasury takes the view

that little of the money is actually spent on home improvements, claiming that half goes on attic extensions and a further sum on double glazing, while little is spent on improvements to the "ground surface area."

Mr Ernest Cantle, director general of the National Home Improvement Council, last night condemned the Chancellor's decision. "It has come as a complete surprise. What it does is to discriminate against people who want to repair and improve their homes, which must be contrary to what the Government wants."

The Building Employers

Confederation expressed "serious disappointment" at the decision. The confederation, which has introduced a guarantee scheme to encourage homeowners to use reputable builders for home improvement work, said it could only have the effect of driving people back into the hands of the "cowboy" builders. This was the second time the Government had penalised home improvements, for in 1984 the Chancellor introduced 15 per cent VAT on building alterations.

The Institute of Housing said the repair bill for housing in the private sector alone amounted to some £30 billion.

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## INDEX

Home News	2-5
Overseas	6-7
Business	33-39
Sport	44-48
Arts	11
Births, marriages, deaths	23
Class	22
Creative & Media	24-27
Cinema & TV	28-30, 37, 40
Crosswords	9, 32
Features	9, 12, 25
Information	30
Leading articles, letters	21
Obituary	22
Property	41-44
Snow reports	47
Tourism of the mind	31
TV & Radio	31
Weather	32

# Thatcher plea for Sharpeville Six

By Richard Ford, Political Correspondent

The Prime Minister yesterday appealed to the South African Government to spare the lives of the "Sharpeville Six" who face execution after being convicted of the murder of a black town councillor.

The British Ambassador in Pretoria put Mrs Thatcher's plea for clemency for the five men and one woman during a meeting with the Minister for Justice in South Africa.

Mrs Thatcher told the House of Commons that the Ambassador, Mr Robert Renwick, saw the Minister to "express my hope that President Botha will see fit, even at this late stage, to exercise clemency."

Mrs Thatcher said she had spoken by telephone with Archbishop Desmond Tutu and earlier in the day a private secretary from her office held a 30-minute meeting with relatives of two of the people facing execution on Friday.

She told Mr Neil Kinnock, the Labour leader, during Prime Minister's Questions, that similar appeals for clemency were being made by Chancellor Kohl of West Germany and on behalf of the United States Government.

Mr Kinnock urged the Prime Minister to consider making a direct personal appeal to President Botha but Mrs Thatcher insisted that sending the Ambassador in to see the Minister of Justice was the way to deal with the issue.

She added that Britain and other Western governments had already urged South Africa to exercise clemency.

The six were part of a crowd which attacked and killed a town councillor in Sharpeville. The judge in their case accepted that none of them had contributed directly to the death of the man.

Envoys to see Botha, page 6

## INSIDE

# A rector's tale of addiction

A former Church of England rector said his addiction to tranquilizers had ruined his life and career and made him consider suicide. The Rev Bernard Brown was speaking on the eve of a meeting of solicitors who propose to sue manufacturers, doctors and the Government over personal disasters caused by tranquilizer addiction. Page 3

## Israeli caution

Mr Yitzhak Shamir, the Israeli Prime Minister, yesterday said his US talks on the occupied territories were a matter of life or death for his country. Page 6

## IN PART 2

# Hooligan alert

Fearful of rioting at the European Championship football match against England in Dusseldorf, the Dutch have tightened up the screening of ticket applicants. Page 48

# Avalanche killed Lindsay instantly

By Mark Ellis

Major Hugh Lindsay, the skiing companion and close friend of the Prince of Wales, died instantly as an avalanche crushed his skull, a coroner was told yesterday.

Dr John Burton, the West London coroner, asked for a detailed medical report at the opening of the inquest into the death of Major Lindsay, a former equestrian to the Queen.

The coroner said an inquest was a necessity because the family wanted a funeral in England. Care was needed to avoid discourtesy to those investigating the death last week in Klosters, Switzerland. He called Dr Esha Sarveswaran, a pathologist from the forensic medicine department of Charing Cross Hospital, who said he examined Major Lindsay's body and found small cuts to the head and a single injury which had "produced a wound and a depressed fracture of the skull".

The injury was compatible with being hit by a large piece of ice. He said: "It was a tremendous force and he died instantly. If he wore a crash helmet it might have saved his life but that is speculation."

Major Lindsay is believed to have been standing upright when he was struck. The cause of death was given as a fracture of the skull and subdural haemorrhage.

Dr Burton said he would send the pathologist's report to the magistrate in Switzerland investigating the death.

He adjourned the inquest at Hammesmühl until the magistrate's report was completed and issued a form to allow the military funeral to take place at the Royal Military College, Sandhurst, tomorrow.

Dr Burton said: "If it proves necessary to seek further evidence, then that would be taken from those who can give the most helpful evidence."



NEWS ROUNDUP

## BBC will air play on teenage 'gays'

BBC Schools Television is to transmit a play about teenage homosexuality next week, in spite of the political sensitivity after controversies over sex education in schools.

Described as a "sensitive drama", *Two of Us*, made in 1986 for the *Scene* series for upper secondary pupils, will be transmitted on BBC 2 at 11.30pm on March 25. The late airing is to allow teachers to record and preview the material. The one-hour play is about two boys aged 17 who discover their friendship goes beyond being merely "good mates".

The BBC's programme note continues: "Phil finds that school friends become enemies, while his girl friend Sharon is confused by his assertion that he is bisexual and is attracted to Matthew who is in turn attracted by him".

The Education Act 1986 demands that sex education in maintained schools must have regard to moral standards and the value of family life. The Secondary School Committee of the Educational Broadcasting Council has endorsed the making of the programme.

## Fall in settlers

A continuing reduction in the number of immigrants to Britain is expected to be reflected in a Home Office report tomorrow.

Restrictions have cut the numbers from 82,000 a year in 1975 to about 70,000 in the late 1970s and to 47,000 in 1986.

In the year to the end of September, the total sank to 45,700 compared with 48,400 in the previous year.

That drop is expected to be reflected in the figure for the last quarter of 1987 to be published tomorrow.

## Heysel chaos threat

A Liverpool solicitor is threatening to throw the Heysel stadium trial into chaos by taking the Belgian defence lawyers off the case in a dispute over legal papers.

Sir Harry Livermore, who represents 14 of the 25 Liverpool football supporters awaiting trial for manslaughter, said yesterday that the prosecution was demanding £25,000 for a copy of its 50,000-page prosecution file, although the defence had been promised seven free copies.

"It is preventing the defence from being properly prepared. It's a shambles", he said.

## 'Eye' pays Electricity damages up 10.7%

Sir Anthony Jacobs, a leading official of the Social Liberal Democrats, won undisclosed libel damages in the High Court yesterday over an article in *Private Eye* which falsely suggested that he offered to make a donation to local Liberals if a named woman was chosen as a council candidate.

At the time, in April 1986, Sir Anthony was joint treasurer of the Liberal Party.

Pressdram, the publishers, and Mr Richard Ingrams, former editor, acknowledged that the article was without foundation and apologized unreservedly.

Electricity prices are to rise by an average 10.7 per cent in the south of England from April 1.

The 10.7 per cent rise, announced by Southern Electricity yesterday, is in line with forecasts by Mr Cecil Parkinson, Secretary of State for Energy, last year that prices would have to increase before privatization to meet the cost of investment. Mr Duncan Ross, Southern Electricity chairman, said its prices would still be among the lowest in Europe.

Other electricity boards are expected to follow suit.

## Stockbroker job writ

A stockbroker has issued a writ for unfair dismissal after he was dismissed for allegedly incurring losses of nearly £4 million during the Stock Exchange crash last October.

Mr Claude Rodriguez, aged 57, a former international bridge player, who was dismissed from his job in the high-risk traded options market two weeks ago, served the writ on his former employers, Strauss Turnbull, last Friday.

## QC tells why some women 'lose pay'

The world of work operates on the basis that jobs carried out mainly by women are paid less than those done predominantly by men, a QC told the Court of Appeal yesterday.

Mr Anthony Lester, QC, representing 11 women in their fight for "equal pay for work of equal value" challenged the judges to say if they could "think of any job done predominantly by women that is paid more than a job of equal value done mainly by men". None of the judges replied.

Mr Lester argued that the job evaluation method used by the women's employers, H&J Quick, Manchester-based car dealers, risked

perpetuating attitudes which the equal pay legislation was designed to change.

The 11 clerical and administrative workers are seeking equal pay with men employed by the company on the shop floor. They are challenging an employment appeal tribunal decision last year.

On the second day of the hearing yesterday, Mr Lester told Lord Justice Dillon, Lord Justice Neill and Lord Justice Woolf that the company's job evaluation study should have looked at the women's jobs and those of the men in terms of the demands made by the work, and not "as a whole".

The hearing continues today.

# Bishops set to condemn 'shoot to kill' incidents

By John Cooney

A statement condemning "shoot to kill" incidents involving British security forces is being considered by the Irish Roman Catholic bishops, alarmed at the revival of support for the Provisional IRA.

The proposed statement is also likely to appeal to the British Government to observe the rule of law in its policy towards Northern Ireland.

The bishops will also reaffirm their condemnation of IRA violence.

Last November the bishops issued their strongest denunciation to date of the IRA after the Enniskillen bomb outrage in which the IRA killed 11 Protestants at a service on Remembrance Day. They instructed the Catholic laity that it was sinful to belong to the

A Catholic man was shot dead in Belfast yesterday as sectarian tensions heightened in advance of the funerals of the three IRA terrorists killed by the SAS on a bombing mission in Gibraltar.

The funeral of Mairead Farrell will be held in West Belfast this morning. The security forces are expected to mount a huge operation to prevent violence.

Sporadic outbreaks of rioting have occurred in West Belfast since the deaths in Gibraltar and feelings have been heightened by the fatal shooting by an Army patrol on Monday night of an IRA gunman, Kevin McCracken, a few hun-

dred yards from the home of Sean Savage, another of the Gibraltar bombers.

On Tuesday, Mr Charles McGrillan, in his early 20s, was the victim of an apparently motiveless killing. He was shot by two men on a motorcycle as he arrived for work in Belfast.

The murder of Mr McGrillan, father of a girl aged two, came just 24 hours after "loyalist" paramilitaries had called for "an increased military offensive".

A mass for Mairead Farrell was celebrated last night and her funeral is scheduled to start with a procession from

her home to Milltown cemetery where she will be buried.

Final arrangements for the funerals of the other two dead IRA members, Danny McCann and Sean Savage, were still under discussion yesterday.

Irish police yesterday confirmed a possible French connection with a letter bomb blast at Dublin's central mail sorting office. Two postal workers were treated for shock.

Police are investigating the possibility that the bomb may have been an attempt by the IRA or an allied terrorist group to strike against France for its detention of an IRA gun ship last October.

high-handedness in its dealings with Ireland.

The bishops also fear that the recent deterioration in Anglo-Irish relations could be enduring and that the main beneficiaries of such a development would be the IRA.

The Bishop of Derry, Dr Edward Daly, has just returned from the United States. He is understood to have briefed the other bishops about the resurgence of support for pro-IRA groups in the United States.

Meanwhile, the Irish government has ordered an inquiry into the broadcasting on national radio of an interview with Mr Martin McGuinness, a prominent Sinn Féin activist in Londonderry.

Under censorship laws, the Irish broadcasting station is prohibited from interviewing members of the IRA.

IRA or to encourage others to support it.

A draft of the new text has been circulated among the bishops who are in plenary session in Co Kildare at the priest-training college of Maynooth.

Its main author is the Bishop of Down and Connor,

Dr Cahal Daly, and it is expected to be made public today by the Bishop of Clogher, Dr Joseph Cassidy.

Prayers for an end to violence in Northern Ireland are to be said in all Catholic churches in England and Wales, Scotland, Northern Ireland, and the Irish Repub-

lic tomorrow, St Patrick's Day.

But one bishop said: "We feel that recent events such as the Stalker-Sampson controversy, the shooting by a British soldier of Aidan McAnespie at a border checkpoint, and the circumstances of the shooting of the three

IRA members in Gibraltar require another statement to meet the new context".

The bishops privately fear that the post-Enniskillen revulsion among Catholics in the republic and in Northern Ireland against the IRA is being forgotten as anger grows at what is perceived as British

# Land-Rover rebels face expulsion from union

By Roland Rudd and Craig Seton

Land-Rover employees returning to work could be expelled from the Transport and General Workers Union, which yesterday started disciplinary proceedings against workers crossing picket lines.

Another 20 strikers went back to work yesterday, bringing to 70 the number who have returned since 6,000 manual workers began industrial action three weeks ago.

Mr Sam Robinson, TGWU district officer, said union branches would start disciplinary proceedings against the "strike breakers" for "flouting the majority decision".

He condemned the company for "failing to tell returning workers that they were in breach of union rules". The Amalgamated Engineering Union is expected to follow suit.

Mr Bob Blackmore, AEU district officer in Birmingham, said the move back to work was "tantamount to rebelling against the democratic procedure of the union" and would not go unchallenged.

Under the Trade Union Act 1984, unions have the power to discipline members for breaking a strike which a majority of members have voted for by secret ballot. The Employment Bill 1988, which is before the House of Lords, would strip unions of that right.

The returning workers defied more than 30 pickets at the company's main gates as management claimed that they were further evidence that the strike was beginning to crumble.

It again condemned the unions for intimidating strikers who wanted to return by having more than the legal limit of six pickets.

The management believes that pressure is building on shop stewards to call a new ballot of the workforce on the company's two-year pay offer. "The last ballot was five weeks ago. We have made it clear that it is our final offer and the workers should have a chance to vote on that."

The company claims the pay offer is worth 14 per cent over two years. The unions say it offers only eight per cent in new money.

Mr Stan Hill, the union convenor, yesterday denied that there was a split among union leaders over continuing the strike.

Five thousand workers at the Vauxhall car plant at Ellesmere Port yesterday voted to return to work after 300 vehicles worth £3 million in retail sales were lost because of the walkout over the company's decision to invest part of a £214 million pension surplus back into the company.

Workers at a series of mass meetings accepted recommendations from union leaders to return to work after a new package with guaranteed improvements - based on "better pensions at lower cost" - were worked out between unions and management.

Two thousand workers in the Delco instrument plant at Kirby, near Liverpool, also returned yesterday after walking out in the same dispute.

# Champagne for the 21-tonners



Miners at Britain's newest mine celebrating with champagne the news that they have broken all British and European records in their third month of production. Underground workers at Riccall, part of the Selby complex in North Yorkshire, produced an average of more than 21 tonnes each per shift last week, more than six times the national average. They beat the old record held by their neighbours, Wistow, by three tonnes.

## Firm helps children of staff

By John Spicer  
Employment Affairs Correspondent

A scheme to help to keep the children of a company's 14,500 employees out of the unemployment queues has been launched by Dalgety, the food and agriculture group.

The company is spending £100,000 this year on the scheme which will "encourage school leavers to look at their own skills and achievements and to develop their confidence and practical job hunting skills".

Dalgety says its scheme will be particularly helpful in areas of high unemployment and some inner cities. It has provided grants to teenagers going on to higher education since 1978 but believed a wider approach was needed.

The new scheme consists of a job-seeking and interview training course to be introduced for school leavers and other young people on various government schemes.

A development training course for people with longer term difficulties in finding or keeping regular employment, measures to provide assistance for higher education.

## Hotels paid twice over £1m accommodation fraud

By David Cross

A confidential report into an east London borough's payments to bed and breakfast hotels housing the homeless discloses that they may have been defrauded by £1 million.

An audit of the homeless families unit by the borough treasurer of Tower Hamlets, obtained by *The Times*, shows the council paid invoices for families which had already been found accommodation and sent out a cheque for a bill that had already been paid.

The council has called in the Fraud Squad to investigate as many as 16 bed and breakfast hotels used by the borough, which has one of London's worst homeless family problems.

According to the report, one group was paid £41,965.50 for periods when the families had left.

The auditors also discovered another 11 cases of overpayment by the council to the group, totalling £11,447.75.

An analysis of invoices from the group showed that hotel charges had been increased frequently without agreement with the council.

In one month they increased by 42 per cent, in two months by 83 per cent, and in

six and a half months by 112 per cent.

The council has already recovered more than £200,000 from the group and is hoping to recoup a further £400,000.

The report says: "It is impossible to determine whether there was any fraudulent intent on the part of the hotel group".

The owner of the hotel group, told the council that he had been having problems with housekeepers who supervised the hotels.

He therefore accepted that some of the information received may have been incorrect.

The report from the borough treasurer says: "As a result of the findings to date it is my intention to do a further 100 per cent check on these hotels from October 1, 1986 to March 31, 1987".

A council spokesman said that the housing officials concerned had to deal with invoices totalling £30 million last year for 1,000 families.

He said: "The housing department was understaffed last year."

"The chief executive is to see if any disciplinary action

needs to be taken against any staff involved.

"We still do not know whether any deliberate fraud was committed by hotels."

Mr Chris Birt, leader of the council, said: "With the numbers of families and the vast sums of money involved I can accept some mistake can be made."

"However proper records were not being kept at our end which led to some hoteliers regarding the local authority as easy pickings."

"I think the message has got out now that in Tower Hamlets we are not."

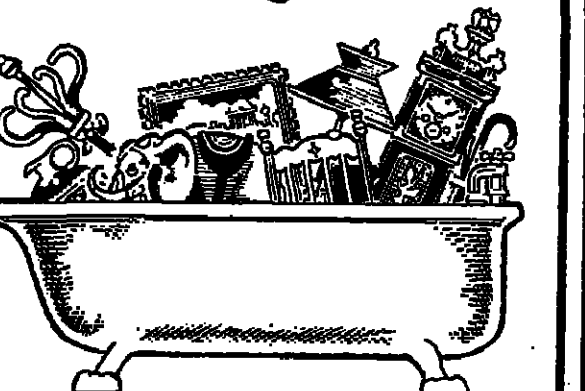
The council is planning to computerize its housing records.

More than 80 per cent of the housing in the borough is council-owned.

The council estimates it will spend more than £32 million on bed and breakfast accommodation for homeless families this year.

**THE TIMES OVERSEAS**  
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## WHERE TO FIND ANTIQUES?



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## Opencast scheme opposed Barbour set fight the cat litter miners

By Paul Valley

They have a very high class of protester in Bletchingley, a Surrey conservation area where a public inquiry opened yesterday into plans to mine 400 acres of downland for the mineral used in cat litter.

Among those objecting to the scheme by Laporte Industries are Sir Geoffrey Howe, the local MP, and Mr Muhammad al-Fayed, the proprietor of Harrods. Both were yesterday preoccupied elsewhere, but several hundred other local worries did turn out to protest.

They were a study in green - olive wellies, Barbour jackets and large National Trust umbrellas protecting them from the wet and deeply obscuring mist which hung around the village hall like a symbol of the controversy within. Posters ranged from the dogmatic "Say No to Laporte" to the feline "Nine out of ten cats prefer the garden".

The inquiry follows an appeal to the Department of the Environment by Laporte after Surrey County Council refused permission for two large open cast mines. The company says 137 local jobs depend on the extraction of two million tons of fuller's earth from under Bletchingley, categorized as a place "of outstanding natural beauty", and Tandridge, an area of "great landscape value".

The strength of opposition from the residents of the area's comfortable houses, many of them listed buildings, was clear from the large numbers who arrived to sign the register of attendance, crowding into the tiny village hall or peering in through its misted up windows, waving their placards.

Dr Ian Roxburgh, the inspector, recoiled off a list of organizations which had asked to give evidence and inquired if any had been omitted.

"Yes, the British Horse Society", an equine voice barked from the back. The inspector added it to his list.

Mr Brian Ash, representing the county council, said the issue was whether need for the mineral overwhelmed the environmental harm caused by getting it. Fuller's earth was available elsewhere, and new workings would cause unsightly spoil-heaps and increase noise, dust and heavy lorry traffic. Job losses would easily be absorbed by the booming local economy.

Mr Neil King, counsel for the Waterhouse Preservation Society, a local residents' action group, said Laporte's record in restoring the environment at previous workings was not good.

Mr Roy Vandermere, QC, representing Laporte, said there were only four fuller's earth mines in the country, and the Bletchingley sites were the most important re-

serves. The mineral was used for many agricultural and industrial purposes as well as cat litter, and earned several million pounds in export each year.

Outside in the rain stood Mr John Mears, a Laporte fitter whose poster announced that his wife and two children depended on his job. "If this is turned down, the plant will close within two years. That will be 137 jobs lost, plus another 40 at our factory in Widnes, which depends on supplies from here", he said.

"I have sympathy with people who have come and brought nice houses around here", he said. "But for the men born around here mining is how we earn our living. There are plenty of other jobs, but they are all for secretaries and char ladies."

When the inquiry was adjourned, he trudged off with his poster. The protesters swept by in their Volvo's.

## Tagging opposed by prison officers

By Peter Evans, Home Affairs Correspondent

Electronic tagging of offenders is being opposed by three organizations representing potential enforcement agencies.

The Prison Officers' Association yesterday followed the National Association of Probation Officers and the Association of Chief Officers of Probation in criticizing the scheme.

The prison officers said "such ludicrous measures are indicative of the sheer desperation in which the Home Office finds itself" and would only divert attention from the fundamental problems of the criminal justice system.

The prison system, probation service and community service order programme were under-resourced, and thousands of prison cells remained empty because of poor management, the prison officers said.

Alternatives to custody were welcome and useful, but

had to be meaningful, humane and realistic.

Prison officers might be used to supervise tagging as a last resort if the Government cannot involve probation officers, who have already declared that co-operation would be alien to their role of assisting and guiding offenders.

The police claim they are already hard-pressed, and that their proper role is catching criminals, not minding them. The National Association of Probation Officers decided at its annual conference not to regard surveillance of the kind they expect from tagging to be alien to their role of assisting, befriending and guiding offenders.

The Prison Governors' Association has yet to decide about tagging but says all alternatives to jail must be considered.



# Priest addicted to tranquillizers 'lost home and career'

By Ruth Gledhill

A former Church of England rector described yesterday how his addiction to tranquillizers ruined his life and career and made him consider suicide.

The Rev Bernard Brown, of Weston-super-Mare, Avon, said that more than 20 years after being prescribed his first tranquillizer he had no job, no home of his own and large parts of his life were blank.

"I used to stand up in the pulpit feeling a complete hypocrite. I was telling people how to lead a Christian life but I needed tablets to get me up there. I know today that I was suffering from a sickness of the mind," he said.

Mr Brown, aged 62, said he was taking action to combat addiction and was proposing to "fight the drug companies with everything I have".

He was speaking on the eve of a meeting of solicitors in London who plan to sue manufacturers, doctors and the Government over personal disasters alleged to have arisen from tranquillizer addiction.

Ninety firms of solicitors, representing thousands of addicts, have joined the Solicitors Benzodiazepine Group to co-ordinate the action.

Mr Brown, who is married

with two daughters, said he first went to his doctor in 1966 because he was "feeling a little tense". The small dosage of Librium he was prescribed at first helped him to cope with the pressures of being rector in a big rural parish of 8,000 in south Derbyshire.

However, over the years, different GPs had increased the dosage to 15 mg daily of Valium and then 10 mg daily of a stronger drug, lorazepam.

Mr Brown was given repeat prescriptions. He said that not once was he offered counselling to help him to cope with the underlying problem which caused the initial tension.

He said: "The tranquillizers helped at first but they turned against me. I needed more and more. They ended up causing the very symptoms they were meant to relieve, on a much greater scale."

"The river Trent ran by the bottom of my garden. I used to wake up and dream of throwing myself in it to end it all."

"I have never lost my faith throughout all this and I put thoughts like that out of my mind. My wife was in despair and called the Samaritans."

"I attempted to stop taking them and ended up lying in a dark room because I could not

stand the light, feeling sick, hurting all over and hallucinating."

He said: "I started taking them because I was a little depressed". Several jobs later, he felt he could not live with or without them. He had woken up in his bed in January 1980, paralysed by fear and unable to move. His doctor had given him anti-depressants and advised him to resign.

He moved with his family to a church pension house at Weston-super-Mare.

However, with the help of his current doctor and the newly-formed Council for Involuntary Tranquillizer Addiction in Liverpool, Mr Brown is gradually cutting his dosage and is back to 18 mg of Valium a day.

"I am becoming more spiritually alert and am leading a prayer group in my local church. I am seeing things I was never remotely aware of."

He said: "I should never have been given a repeat prescription. My doctor should have gone to the root of the problem and not covered it up with drugs. It is only my wife's love for me that has kept my marriage alive."

# Turning stones into history



Mr Thomas Skehan, administrator, in the reconstructed stone circle at the heritage park (Photograph: Peter Trievnor).

By Andrew Morgan

Archaeologists have re-created Ireland's early history at the Irish National Heritage Park, Europe's first such site, using exhibits showing the development of the Irish people from the arrival of the first primitive settlers 9,000 years ago to medieval times.

The park at Ferrycraig, Co Wexford is a £1.5 million project and should be

completed by 1990. It will cover stone age, bronze age, the Celtic/early Christian period and the early Normans.

The park will include reconstructions of a stone circle, campsite, farmstead, monastery, Viking ship, round tower, moat and bailey, water mill and a corn drying kiln.

There is a replica Ogham stone, dating from the fourth century, on which was

depicted the earliest forms of writing in Irish. The stones were used to commemorate important people.

The stone has been placed near a rath or ringfort, which was the home of the "strong farmer" or boaire in the first millennium AD. It consisted of a circular area enclosed by a bank, with a ditch outside; the rath contained the homes and farm buildings of prosperous men.

# Portfolio PLUS NEW Accumulator Sculptor welcomes windfall

Maria Lorenz, a sculptor, is the sole winner of the daily Portfolio prize of £4,000 and is planning to use some of his windfall to work on some special projects.

Mr Lorenz, aged 56, lives at Kila House, Crazies Hill, Wargrave, Berkshire.

He said yesterday that he had been playing the competition since it started and has been a regular reader of *The Times*.

# Slimmer tells of tremors

A patient of a Harley Street slimming expert said yesterday that she had aged visibly after taking a course of diet pills.

Mrs Elizabeth Day, aged 49, a mother of four, who weighed 16 stone when she first visited Dr Sidney Gee in 1982, said she also suffered tremors and nausea.

She started to shake three or four times a week. The attacks lasted up to an hour. When she asked Dr Gee about them, he told her to stop taking for three days some tablets he had prescribed.

The doctor had not examined her, she told the General Medical Council's professional conduct committee.

Mrs Day, a child care assistant, of the Roebuck estate in Binfield, Berkshire, said that in March 1983 she had aged visibly since beginning her treatment five months earlier.

Her hair fell out, her heart raced, her skin became dry and she had blurred eyesight.

"People made comments about the fact I was looking old. My hairdresser mentioned my hair falling out at the back. My nails kept breaking. Underneath my skin it was like a lump of tripe," she said.

Dr Gee took her blood pressure only twice during the eight months of treatment and she was not given a proper physical examination.

Dr Gee, aged 67, is accused of abusing his professional position by supplying powerful thyroid drugs to patients without adequately examining them, checking their medical history or consulting their GPs.

He is also accused of failing to help patients when they complained of harmful effects.

Dr Gee, of Chester Close North, Regents Park, north London, denies the charges, and also denies serious professional misconduct.

The hearing continues today.

# Crisis in the hospitals

# Children 'dying through lack of cash'

By Jill Sherman  
Social Services  
Correspondent

Children needing emergency treatment for life-threatening conditions are being turned away from a Manchester hospital because of a shortage of paediatric intensive care beds caused by a lack of money, consultants claimed yesterday.

In one case, a traffic accident victim aged three, who had severe head injuries, had to travel 12 miles to the Royal Manchester Children's Hospital. As no beds were free, he had to return to the local hospital in Bolton where he died two days later.

Doctors working at the Royal Manchester say that at least seven children referred for treatment for head injuries, heart conditions and breathing problems have been refused admission at the hospital in the past three months.

Dr Oliver Dearlove, consultant paediatric anaesthetist, said that for two years the five-bed paediatric intensive care unit had been promised extra funding for three more beds but no money had been allocated by North Western Regional Health Authority.

"We are offering a service

Heart surgery and kidney transplant operations were cancelled at The London Hospital, Whitechapel, east London, yesterday as hundreds of health workers, including nurses, took strike action in support of their demands for extra money for the health service.

In the north of England protest action was supported by thousands of health workers and other trade unions. Protest lines were staged outside every big hospital in Tyne and Wear, Cleveland, Co Durham, Northumberland and Cumbria.

A huge picket line outside The London Hospital was joined by off duty staff at

for the whole of the region and we are supposed to be at the top of its priority list yet we have been told there is no more money", Dr Dearlove said. "Children are now being turned away with life-threatening conditions because we don't have any beds."

"It is heart breaking - the services are just too stretched to cope. We even had to turn a child away on Boxing Day because there was literally no room at the inn."

The boy aged three was run

lunchtime. Managers said that although emergency cover was provided many of the patients, who had already waited months for surgery, would have to wait another four to six weeks.

But arrangements were made for one kidney transplant involving a live donor planned for yesterday to take place in two weeks.

Six heart bypass operations and 65 other surgical operations planned for Monday and yesterday had to be cancelled and the hospital says that outpatient appointments will be thrown into "chaos" for the next 10 days because of strike action by clerical staff.

The hospital would need about £140,000 to recruit 15 new nurses to staff the three extra beds. However, yesterday the regional health authority maintained that it had not given any undertaking to give extra funding. "Salford DHA has had its fair share of the money available from this particular allocation which is designed to develop regional specialty services", the region said.

"Royal Manchester Children's Hospital will receive £500,000 in the next financial year for a specialized bone marrow transplant unit.

and two broken legs. He had to be treated in the adult unit, which lacked special facilities needed for children.

The consultants say that the workload on the unit, which is the only paediatric intensive care unit in the region, has recently increased because a six-bed renal unit and an eight-bed bone marrow transplant unit have just opened.

"Many of the children undergoing transplants then need intensive care", Dr Meakin said. "We admit these children because they are from within our own hospital, which means we have to turn away referrals from other areas."

The hospital would need about £140,000 to recruit 15 new nurses to staff the three extra beds. However, yesterday the regional health authority maintained that it had not given any undertaking to give extra funding. "Salford DHA has had its fair share of the money available from this particular allocation which is designed to develop regional specialty services", the region said.

"Royal Manchester Children's Hospital will receive £500,000 in the next financial year for a specialized bone marrow transplant unit.

# Court told police held at gunpoint Solicitor 'on run for a year'

By Howard Foster

A solicitor who once worked for Mr Enoch Powell lived for a year on the run after two gunmen he was with held up police in Mayfair, central London, the Central Criminal Court was told yesterday.

Jonathan Denby, aged 40, denies charges of having a firearm or imitation firearm, handling stolen police car keys, assisting an offender who made threats to kill a police officer, and of assisting an offender by having £500 handed to him four days after the gun incident.

The court was told that two Irish brothers in a car driven by Mr Denby had forced two police officers to lie on the ground at gunpoint early one morning in June 1986. Soon afterwards, the solicitor had visited Mr Powell, the former Conservative and Ulster Unionist MP, and told him he was the innocent and unwitting witness to an armed hold-up.

Mr John Nutting, for the prosecution, said Mr Powell had invited Mr Denby to telephone Mr Denby's solicitor and then see the police. He declined on the ground that he might suffer personal violence from the two men. Mr Powell allowed Mr Denby to leave his

London home before telephoning the police. Mr Denby had been Mr Powell's private secretary in the early 1970s.

Mr Nutting said that until the incident Mr Denby, of Hestbank, Lancaster, had worked as a solicitor at his own City law firm, specializing in shipping law. His annual income was more than six figures.

Mr Nutting said: "What was he doing in the dead of night in Down Street in the company of men with guns? We may not be able to supply an answer to that question but we must look at the circumstances of the allegations in a little more detail."

The court was told that a hotel cleaner had noticed a hired car containing the brothers, James and Philip Callaghan, and Mr Denby in Down Street, Mayfair, and called the police, who arrived and asked Mr Denby to get out of the car.

Mr Denby agreed but lied about where the car had come from and who had hired it. It had been hired by his girl friend, Mr Nutting said.

One of the officers noticed that the front-seat passenger, Philip Callaghan, seemed ag-

tated. He asked him to step on to the pavement. Philip Callaghan then pointed a small, cocked, automatic pistol, possibly a Beretta, at the officer and told him to lie on the ground.

The court was told that James Callaghan got out of the back of the car and ordered the second officer to lie down. The keys to the police car were taken and Mr Denby drove off with the men, abandoning the car near Berkeley Square.

Over the next few days Mr Denby continued to work at his office but told acquaintances and business colleagues that he had been unwittingly drawn into the incident while waiting for his girl friend.

Eventually, James Callaghan had telephoned Mr Denby's office and demanded £2,500. However, Mr Denby was out and when he was told of the call ordered his secretary to hand £500 in £10 notes to Mr Callaghan.

The court was told that Mr Denby then went into hiding. Since the alleged incidents James Callaghan had died and his brother was imprisoned for his part in the firearms incident.

The case continues today.

# Gatwick is already too full

By Harvey Elliott, Air Correspondent

Almost 1,000 holiday flights planned for Gatwick this summer have still not got take off "slots" because the airport is full.

Worried scheduling officials hope their problems will be solved by a fall in holiday bookings or by airlines switching to bigger aircraft.

So far there has been little sign of this as tour operators slash the price of holidays to maintain sales. Holidays already booked are unlikely to be cancelled because of the jam although some could be rescheduled or moved to another airport.

Each November scheduled and charter airlines bid for take off slots at airports around Britain. Last November the number of movements bid for at Gatwick increased by 16 per cent compared with the summer of 1987.

During the past three months about one third of these additional bids have been withdrawn, either because the demand was not

there or because airlines realized they had to switch to Stansted, Luton, Manchester or other regional airports to be able to fly at a convenient time.

By judicious juggling a further half have been shoe-horned on to Gatwick's single runway which is now operating.

An RAF Tornado on a low flying military exercise came within 400ft of a civilian helicopter on Monday.

The air miss happened over Cumbria. The Tornado pilot had to gain height to avoid a collision.

ing at its maximum permitted level of 40 movements an hour for at least six hours a day.

This leaves about 30 flights a week or 1,000 throughout the summer peak period which have not been allocated and which may have to be cancelled or moved.

"We had anticipated some

consolidation by now but it is simply not happening", Mr Tim Trowbridge, chairman of the scheduling committee, said. "Carriers are now looking to us for advice and we will have to tell them that it is very unlikely that any more slots will become available."

Whether everyone can be accommodated at Gatwick should be known by the end of May when tour operators and charter airlines make their final arrangements for the summer. But it looks certain that some flights now advertised as operating from Gatwick will have to move elsewhere.

Holiday advertising is one of the biggest sources of complaints to the Advertising Standards Authority.

The authority says in its latest report: "There are people in the holiday industry who are...over zealous in selling their wares, sometimes in ways that can do them more harm than good commercially."

# Anything went in rugby, claims QC

The High Court was told yesterday that "anything went" in rugby matches at a public school being sued by a former pupil crippled in a head-on tackle.

Mr Christopher Wilson-Smith, QC, representing Mr Simon Van Oppen, said that referees at Bedford School interfered in inter-house matches only for high tackles.

Mr Van Oppen, aged 23, is claiming damages from the school trustees. They deny that the school was negligent in not properly coaching him or insuring him for accidental injury before the game in November 1980, when he received spinal injuries which left him paralysed. He has since recovered the use of his limbs, but is weak in both legs and one arm.

Mr Wilson-Smith told Mr Justice Boreham that when Mr Van Oppen moved to Bedford a confidential report from his preparatory school,

where he was rugby team captain, described him as a brilliant and fearless crash tackler.

Nevertheless, Mr Wilson-Smith said, Bedford was not entitled to assume from the report that the boy knew how to play properly.

Mr Van Oppen, of Topsham, Exeter, Devon, alleges it was lack of proper coaching that led him to attempt a flying tackle which Mr Wilson-Smith said was "fraught with danger" if not done properly.

He said the school's insurance at the time only indemnified it if it was found negligent and legally to blame. For £1.50 a term, the boy could have been covered for his accident. If the policy the school had since adopted had been in force, he would have automatically received £60,000, regardless of blame.

The hearing continues

# Woman held up post office

A woman who became involved in armed robbery and drugs dealing was jailed for five years yesterday.

Helen Windeller, aged 37, left her husband asleep in bed at their home at Whitstable, Kent, while she drove 70 miles to stage an armed raid on a sub post office, the Central Criminal Court was told.

Mr Peter Shier, for the defence, said Windeller was a regular churchgoer who had led a respectable life. Her crime spree had shocked neighbours and devastated her

husband, John, aged 38, and their teenage daughter.

Windeller, of Stumrock Avenue, Whitstable, admitted taking a car, robbery, possessing an air pistol and having cannabis worth £16,000 with intent to supply.

Judge Petre said she may not have realized the full seriousness of what she had done and might, as doctors had suggested, have been naive and "enjoying a second adolescence". He said he was imposing a reduced sentence.

Mr Robert Fischel, for the

prosecution, said Windeller, who had enrolled on the Government Enterprise Scheme, trading in livestock, told detectives she turned to crime because of debts.

On June 22 last year, she had stolen a car and driven to the sub post office at Orpington, Kent, and had pretended to send a parcel abroad. She then produced a pistol and escaped with £214.

Detectives acting on information arrested her on November 26 and found the gun and cannabis.

# WHY MRS RODRIGUES "STEALS" CHAIRS.



"All the ladies here like going to the hairdressing salon in the hospital. It boosts our morale. The problem is, it's 400 yards away. I can only walk 40 yards unaided, and I insist on walking there - wouldn't you? So, first I get into my wheelchair and zip along the route. Any chair I see, I grab and position 40 yards from the last one I stole. Then comes the big moment. I zip back to my own room, then walk - from chair to chair - all the way to the salon and back. No one ever moves my chairs. They wouldn't dare. They all know when I've got a hairdressing appointment."

Mrs Rodrigues suffered severe brain injury after an accident in 1983. When she first came here, she could barely talk and could hardly move. Today she can dress herself, walk short distances, and is learning to cook with one hand only. She's just one example of the 300 severely disabled people in our care who

need us to help them improve the quality of their own lives. The Royal Hospital and Home, Putney, is outside the health service and is dependent on donations, covenants and legacies from people like you. Please write to: Director of Appeals, The Royal Hospital and Home, Putney, Dept. TTR, West Hill, London SW15 3SW.

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# Sheriff rides in to rescue Robin Hood

By David Nicholson-Lord

The crisis over the true identity of Robin Hood moves on to an international plane today when the Sheriff of Nottingham will attempt to rescue his ancient adversary from the depredations of historians, antiquarians, public relations men and newspaper headline writers.

The Sheriff, alias Mr Royce Young, will don his ceremonial outfit of silk, lace, beaver and ostrich feathers to explain to a prime-time American television audience why they should continue to believe that Robin and Maid Marian were flesh-and-blood lovers, Friar Tuck a real-life clerical ruffian and the merry men unrelentingly dull.

Mr Young, formerly Nottingham's chief environmental health officer, gained millions of American admirers last autumn when he was the star exhibit in a British tourism roadshow and was featured coast-to-coast on networked chat programmes. In response to requests from NBC and ABC and many expressions of transatlantic concern, he is now hoping to set the record straight.

He said yesterday: "My message will be one of reassurance. The traditions that we have always had in Nottingham are

the same. The new claims are nonsense." Mr Young was equally scathing about the conflicting views of Mr Jim Lees, president of the Robin Hood Society and author of *The Quest for Robin Hood*, who claims that Maid Marian was a prostitute, and Professor James Holt, holder of the Cambridge chair of medieval history and author of the standard scholarly tome *Robin Hood*, who says she did not exist.

Professor Holt's findings were at odds with hundreds of years of history. Mr Young declared, Mr Lees's charge was "utter and complete piffle".

Nottingham's publicity chiefs were in retreat yesterday after their new brochure on Robin Hood, embodying much of the latest Cambridge thinking, provoked protests and was temporarily withdrawn. Its future will be considered at a meeting of the tourism committee next Monday.

The brochure, following Professor Holt's view, said that Maid Marian is not a historical character but was borrowed from the thirteenth-century French poem, *Roland and Marion*.

Friar Tuck, similarly, is an amalgam of two quite distinct clergymen - Robert Stafford, who used that alias when he led a band of Sussex outlaws in the early fifteenth century, and the anonymous Jolly Friar who figured in late medieval Morris dancing.

Robin, meanwhile, emerges as something of a low-born sobersides, eschewing the dandified feathered hat and curling boots wished on him by Hollywood film moguls in favour of the jollish medieval forester's "camouflage" kit of green and brown. A city council official described him as a "pretty straightforward bloke".

The basis for Mr Lees's claims on Maid Marian, meanwhile, appears to be a bawdy Tudor play in which probably the most complimentary label refers to her as "none of those coy dames".

Mr Young said Nottingham was incensed by the new claims and his American friends deeply concerned. "The Americans thrive on our history. They seem to know more about Robin Hood than local people. They come here steeped in the legend and they want to see the Sheriff. I don't want them to feel I have let them down."

# Singer is fined after gun death

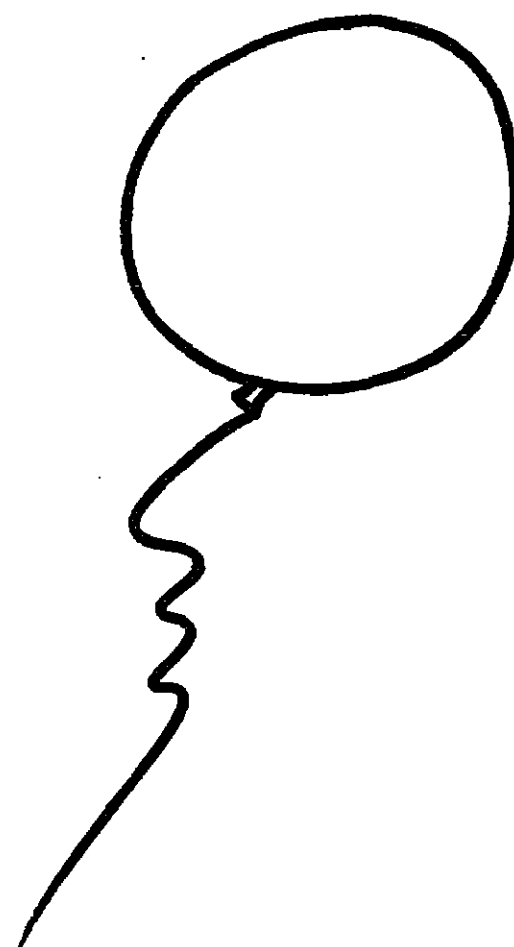
Marian Montgomery, the jazz singer, was fined £150 yesterday after a court was told that a man used her revolver to kill himself at her home.

The singer was in the United States when Graham Ross, aged 31, her maid's jilted boy friend, shot himself playing Russian roulette.

Ross, an Aids sufferer, had gone to the mansion at Bray, Berkshire, to talk to Miss Jane Jones, his former girl friend. He found two Colt revolvers and 62 rounds of ammunition on the top of a wardrobe.

Montgomery, aged 53, told magistrates at Maidenhead, Berkshire, that they had belonged to her parents.

The singer admitted possessing a .38 revolver and a .32 revolver without a firearms certificate. The arms were confiscated.



A breath of fresh air from the House of Commons.

## Shell Unleaded petrol-the Budget bargain.

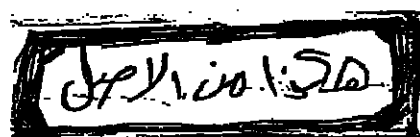
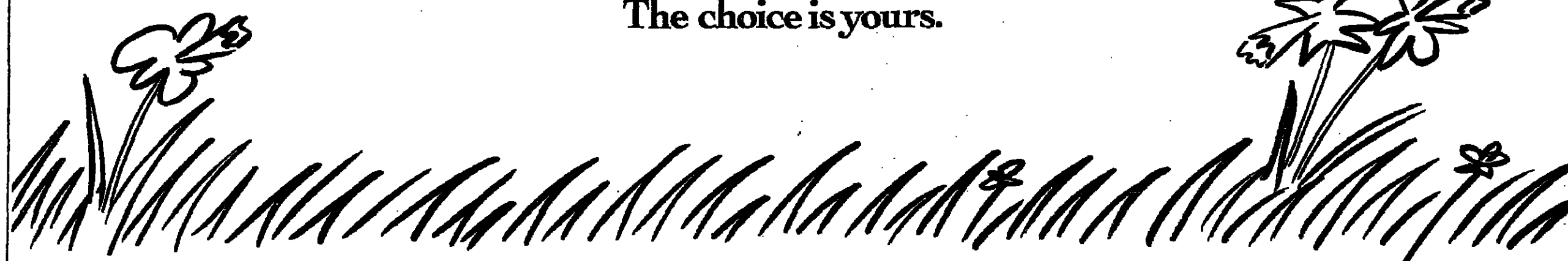
Following the Budget, it now makes even more sense to choose Shell Unleaded. And Shell is making it easier for you to do so.

We are adding to the number of service stations selling unleaded petrol at the rate of two or more per day.

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# Ayatollah's critics invited their killers into home

By Stewart Tendler  
Crime Reporter

Two Iranian opponents of the Ayatollah Khomeini's regime were killed in their home in London by a professional assassin sent from Tehran armed with a miniature, silenced sub-machine-gun, an inquest was told yesterday.

Mr Ali Tavakoli-Nabavi, aged 52, a retired architect, and his son, Nadir, aged 22, a waiter, were shot repeatedly in the head by the gunman in an attack last October in Wembley, north-west London.

A detective from Scotland Yard's anti-terrorist branch told the inquest that the dead men may have let their killer and accomplices into their home believing they were meeting a refugee like themselves seeking help.

Dr David Paul, the north London coroner sitting at Hornsey, returned a verdict of unlawful killing. He was told the murder weapon was a Czech or Yugoslav-made .765mm Skorpion.

The gun was said not to have been used in Britain before. It is similar to the American Ingram miniature sub-machine-gun which can easily be hidden, and had been used in terrorist attacks in Italy and West Germany.

Giving his verdicts Dr Paul said: "These two men have been murdered by persons unknown and it is not a great



Mr Ali Tavakoli-Nabavi (left) and his son, Nadir, and (below) the type of gun used in the shootings.



step to believe they have been murdered by a person professionally oriented to murder by the regime they were critics of. Unfortunately trouble and political problems in other countries spill over on to the streets of this country."

During the inquest Mr Nas-

ser Tavakoli-Nabavi described how he came home from work and found his brother lying on a bed. He thought he was asleep and then saw a bullet wound in his head. In the living room his father was also dead, still sitting in a chair.

Mr Tavakoli-Nabavi told the inquest the family "had not received any sort of threat that would make us take serious measures". The family went to rallies at Hyde Park where general threats were made by opponents.

His father and brother were each shot three or four times, the inquest was told, by the same gun.

Det Chief Insp Roger Newton from Scotland Yard told the coroner police had no identity for the murderer or murderers. Mr Newton said Mr Tavakoli-Nabavi, senior, produced pamphlets and held meetings for Iranian exiles who shared his support for the Iranian monarchy.

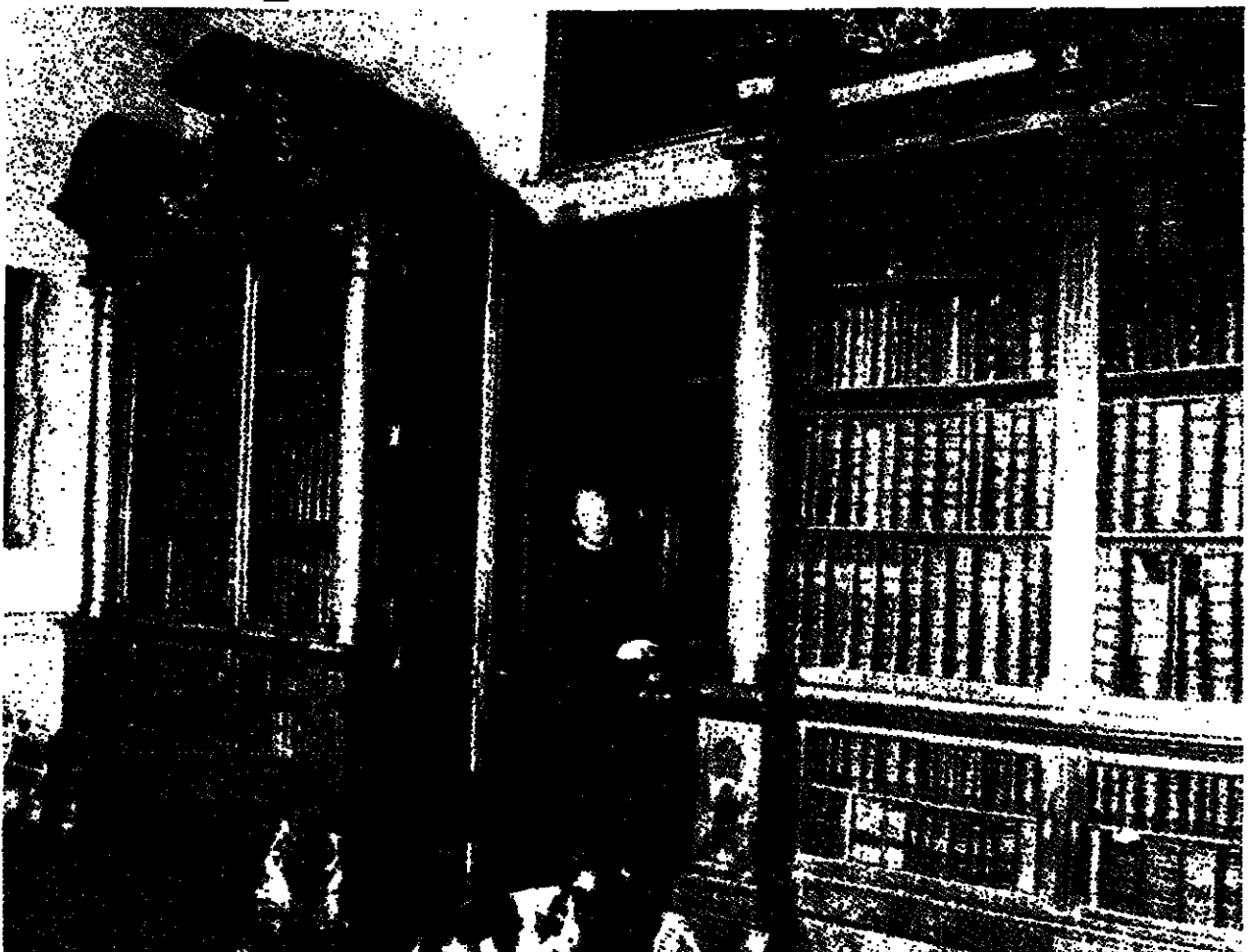
The detective told the court there was no sign of forced entry at the family's flat at Bluebird Walk on the Chalk Farm estate.

The detective said: "It would appear the father in particular helped a number of fellow Iranians, particularly in matters like immigration and it was not unusual for him to receive visitors at home."

Mr Newton told the coroner he believed the two dead men had indeed let their killer into the flat.

After the inquest Mr Nasser Tavakoli-Nabavi said the deaths would not make people opposed to the Khomeini regime stop their campaigning.

# Debts paid with two bookcases



Lord Courtenay, son of Lord Devon, with two 250-year-old bookcases which he has sold for £455,000. The deal means that Lord Courtenay, who runs the Powderham Castle estate, near Starcross, Devon, has wiped out most of his debts. The Victoria and Albert Museum, on whose behalf the bookcases were bought by the National Heritage Fund, has also

agreed to let him keep them on show to tourists in his library. They broke the record for the most expensive pieces of English furniture sold in Britain.

The 12-ft high bookcases were built for Powderham in 1740 by John Channon, the Exeter cabinet-maker. Lord Courtenay, son of the seventeenth Earl, lives with his wife, Diana, in the castle. The

deal means that Powderham, which loses £40,000 a year, will not need to be let after 600 years as the family home. Lord Courtenay said: "I needed more than £1 million to pay off the tax, settle the overdraft that has built up over the years, fund major improvements and set up some form of endowment fund that will help to maintain the castle."

# Women botanical artists steal show

Augusta Innes Withers, who died in the 1860s, held the grand title of Flower-Painter-in-Ordinary to Queen Adelaide and Queen Victoria, and illustrated a number of important botanical books.

However, such prowess did not afford her professional status in the eyes of the *Gardener's Magazine*, which in 1831 described her as being "able to draw flowers botanically, and fruit horticulturally", both being "useful accomplishments of your ladies of leisure, living in the country".

This big, unpaid workforce of Victorian women artists rewarded its descendants yesterday at Christie's first sale devoted to botanical drawings and watercolours.

An anonymous private buyer paid three times the upper estimate of £19,800 for a painting of a pot plant, the *Auricula*, standing on a ledge with a letter beside it signed "Mrs Withers of St John's Wood". It had the added appeal of two butterflies, one alighting on the bloom.

A painting of the orchid, *Cattleya mossiae*, signed and dated 1843, each flower a delicate mauve with a yellow centre, fetched £15,400 (estimate up to £5,000).

All but two of 20 paintings by Mrs E Powell, a little-known botanical artist, were bought by Heywood Hill, the London dealer. It spent £8,250

**SALEROOM**  
by Sarah Jane Checkland  
Art Market  
Correspondent

(estimate up to £1,200) on the *Dendrobium densiflorum* and *Dendrobium finlayianum* orchids, one purple, the other yellow, and both entwined. The company also spent £3,300 (estimate £1,200 to £1,800) on a painting of the *Oncidium phymatoclilum* orchid, which resembles a firework springing from dark green foliage.

Although women stole the show, there were some high prices paid for the male artists. An anonymous private buyer spent £4,400, more than 10 times the estimate, for a Joseph Perry sheet populated with daisy heads such as *Helianthus atrorubens*, *Tagetes erecta* and *Calendula*.

Meanwhile, dealers were active at Sotheby's London sale of British ceramics. Works by Flight and Barr, decorated with realistic paintings of shells, sold well.

An ornate vase with paw feet, dated 1804-5, fetched more than twice its estimate at £7,700 to Hyde Park Antiques. A pair of saucer dishes, circa 1807-13, originally from a tea service, sold for £7,150 (estimate £1,200 to £2,000).

Rare stamp, page 22

# Door to seat of Tube blaze was unlocked

The trapdoor leading to the machine room at the foot of the King's Cross Underground station's Piccadilly Line escalators - seat of the fire which killed 31 - was not locked, the inquiry into the disaster was told yesterday.

Last week three witnesses told how they saw an unidentified man in overalls in or around that trapdoor, minutes before the fire was seen.

Yesterday Mr Hugh Curtis, aged 36, an Underground lifts and escalators service fitter, was asked about the trapdoor by Mr Roger Henderson, QC, counsel to the inquiry.

Mr Henderson said: "We know that the access to the upper machine room is via a locked door whereas access to

the lower machine room is via a trapdoor in the floor. It seems this is wholly unsecured, is that right?" Mr Curtis said that was correct.

Asked if it was true of other trapdoors to lower machine rooms, Mr Curtis said: "On the older type of machines, yes. On the later type of machines you have got a locked doorway."

Questioned about the amount of fluff, dust and grease beneath fire officers when he showed fire officers around in the later stages of the fire, Mr Curtis, of Brook Road, Swalecliffe, Whitstable, Kent, said it was "typical" of escalators generally.

The inquiry continues today.



**WILLIAM MORRIS DESERVES HANGING**

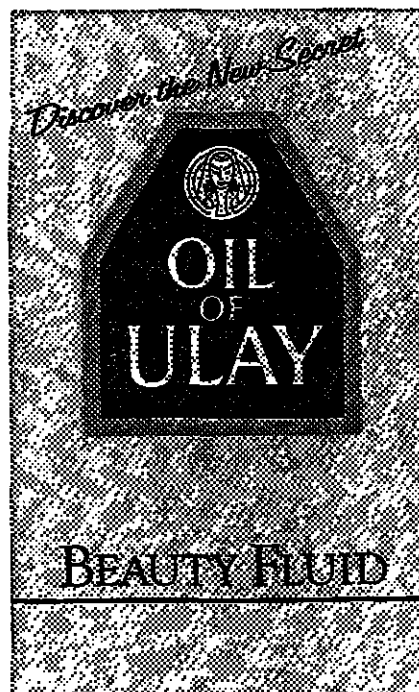
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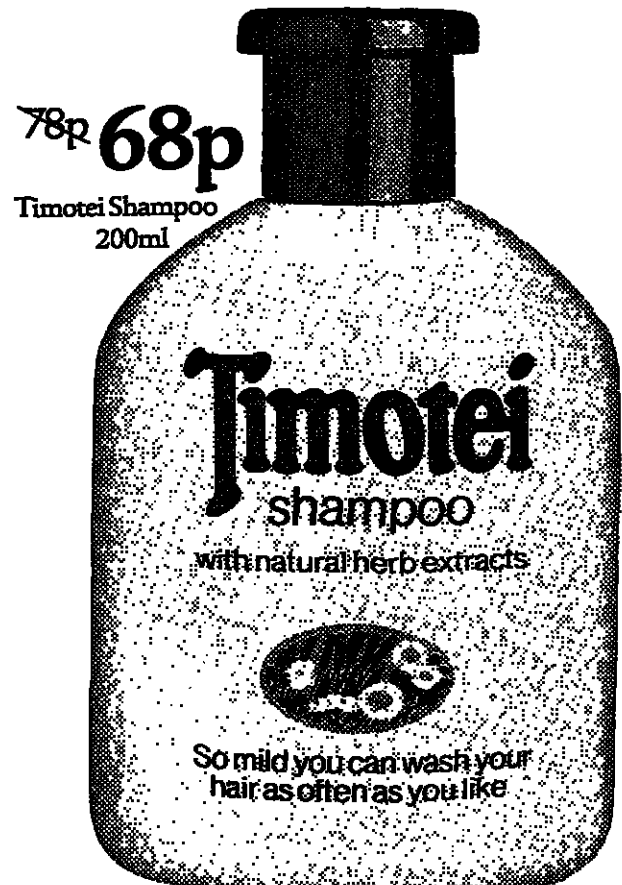
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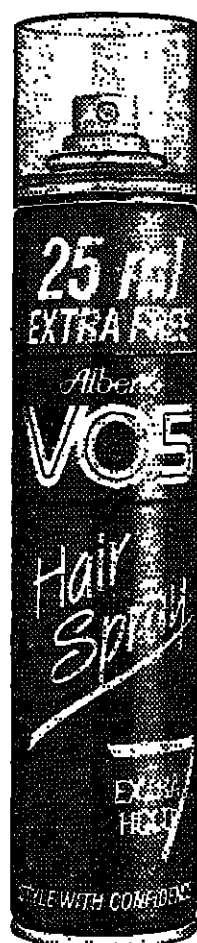
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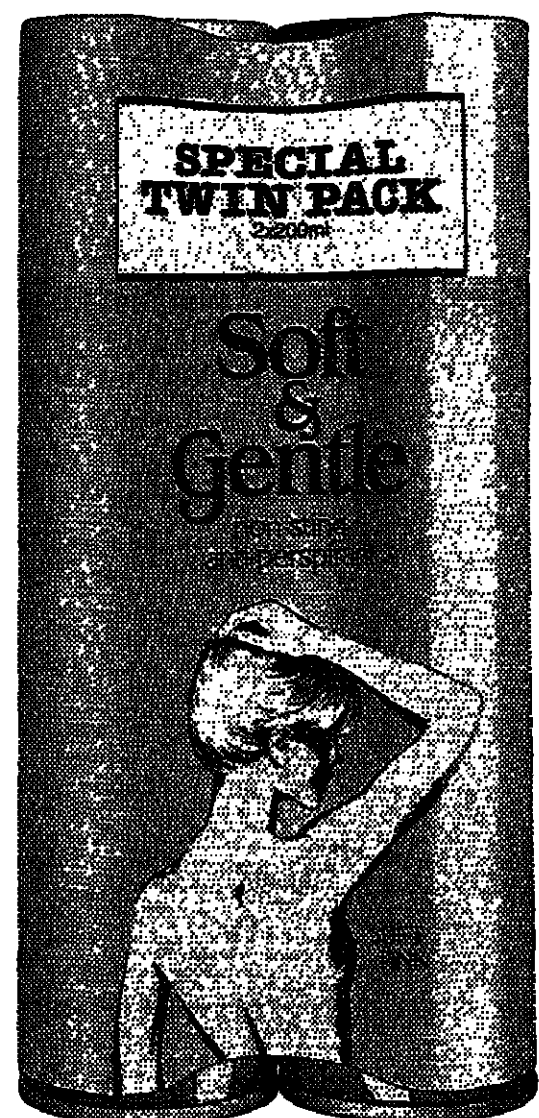
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WORLD ROUNDUP

# US firm on eve of defence talks

Berlin (Reuters) — The US Defence Secretary, Mr Frank Carlucci, took a hard line yesterday on the eve of the first formal talks between superpower defence chiefs. In a press conference on his plane to Zurich he said the Soviet Union was still building offensive forces despite suggesting that it might shift its emphasis towards defence.

Mr Carlucci, who starts two days of wide-ranging talks today with his opposite number, Mr Dmitry Yazov, said: "There has been absolutely no practical change... Their military continues to grow. The tanks continue to roll out, so there is no indication at the other end of the pipeline that there has been any change in doctrine." He also said that the two sides should try to set better guidelines for reducing dangerous incidents such as a confrontation between US and Soviet warships in the Black Sea last month.

# Gulf War bombings

Nicosia (Reuters) — Iraq rained more destruction on Iran yesterday but Iran hit back with its own missiles and aircraft. "Let the Iranian rulers know that we are going to turn all Iranian cities into hell," an Iraqi military spokesman said after Iraq fired five missiles at Tehran on Tuesday.

He said Iraqi jets bombed 11 other Iranian cities and towns, although Tehran Radio put the number at eight. The radio claimed that Iranian jets inflicted heavy losses on Iraqi troops on the northern and central fronts and Revolutionary Guards fired 11 rockets at Basra and the town of Nashveh.

● **BAHRAIN:** Foreign Ministers of Gulf Arab states gathered in Saudi Arabia yesterday to try to speed up efforts to end the war amid signs of a tougher stance against Tehran.

# Tribute to Tito

Belgrade — The long shadows cast over Soviet-Yugoslav relations by Stalin's expulsion of Marshal Tito from the Cominform in 1948 seem to disappear yesterday on the second day of Mr Mikhail Gorbachev's visit to Yugoslavia (Richard Bassett writes).

Mr Gorbachev went out of his way to cement Yugoslav-Soviet relations, altering his timetable so that both he and his wife Raisa, could lay wreaths at Tito's tomb. Later, at an official banquet given in his honour, Mr Gorbachev paid tribute to Tito saying that he had visited the tomb out of a "deep respect as well as great interest".

# Spy book case lost

Wellington (AFP) — New Zealand's Court of Appeal yesterday dismissed British Government requests for damages and for Wellington's *Dominion* newspaper to surrender profits it may have gained from publishing extracts from the book *Spycatcher* written by Mr Peter Wright.

The court agreed with the paper's publisher, Wellington Newspapers Limited, that the New Zealand public interest justified publication of the extracts. The Appeal Court President, Sir Robin Cooke, ruled that there had also been enough prior publication of material and the book itself to destroy any confidentiality.

# Black is executed

Washington — Despite appeals from the Pope, Dr Andrei Sakharov and Amnesty International, Florida yesterday sent Willie Jasper Darden to the electric chair after 14 years on Death Row (Christopher Thomas writes). He was convicted of shooting a white businessman, but maintained his innocence and said he was a victim of racial remarks made by the prosecutor to an all-white jury.

Darden, a black aged 54, was pronounced dead at 7.12am. He refused a last breakfast.

# Ganilau mission

Suva — President Ganilau of Fiji and Ratu Sir Kamisese Mara, the Prime Minister, will fly to London soon in a campaign to regain membership of the Commonwealth (A Correspondent writes).

Ratu Mara announced the mission in a "state of the nation" broadcast last night, saying that Fiji was on the road to economic recovery after the October declaration of a republic, which led to expulsion from the Commonwealth. He said that he and President Ganilau, the former Governor-General, would consult "the appropriate authorities" in Britain but did not say whether they would try to see the Queen.

# Treblinka evidence

Jerusalem — The "Ivan the Terrible" war crimes court is to sit again next week to hear fresh written defence evidence by death camp survivors who failed to identify the defendant, Mr John Demjanjuk, as the mass executioner at Treblinka (Ian Murray writes).

The court agreed to reopen the case after a hearing in chambers yesterday when 15 statements by survivors — whom 12 had failed to recognize Mr Demjanjuk's photograph on either an SS identity card or on a 1951 visa application for the United States — were produced. Considering the new evidence may delay the verdict until later next month.

# Pogroms admitted

Moscow (Reuters) — The Deputy Prosecutor-General of the Soviet Union, Mr Alexander Kutsev, has confirmed that pogroms took place in Sumgait, the Azerbaijani city where the Kremlin has said 32 people died in ethnic unrest, according to a newspaper reaching Moscow yesterday. "Large-scale unrest took place in Sumgait, accompanied by pogroms, arson and other atrocities," Mr Kutsev told the Azerbaijani paper *Bakinsky Rabochy*.

Armenians who fled the Sumgait area have spoken of pogroms during the February 28 disorders, saying that Armenians were hunted down and killed by Azerbaijanis. But it was the first time that a Soviet official had used the word "pogrom" to describe the events in Sumgait.

# Lord Young goes shopping for trade



Lord Young of Graffham, the Trade and Industry Secretary, posing with a traditionally-dressed Japanese couple as he toured a department store in Tokyo yesterday to promote British sales. New trade era, page 35

# Shamir takes tough line on 'war' with Palestinians

From Michael Binyon, Washington

Mr Yitzhak Shamir, the Israeli Prime Minister, had another round of tense talks with US officials yesterday, after giving a blunt warning here that the negotiations were a matter of life or death for Israel.

He said the riots by Palestinians were not demonstrations of civil disobedience, but a war against the existence of the state of Israel.

In a veiled reproach to the Reagan Administration, he said: "We believe that only those who must bear the consequences of agreements on their flesh, those who must shed their blood to defend our country, can decide what risks to take in the pursuit of peace."

Addressing the United Jewish Appeal's young leadership convention, Mr Shamir suggested that relinquishing the occupied territories, as the US proposes, would not buy peace for Israel.

"Even today," he declared, "40 years on and five wars later, there are still many who continue to believe that Israel can be removed from the scene."

He acknowledged that many Americans were disturbed by what they saw on television. But he added bluntly: "What you see is not demonstrations. It is not civil disobedience. It is war. And it is not a war of Judea, Samaria and Gaza. It is not a war for a Palestinian state in those areas. It is a war against Israel, against the existence of the state of Israel."

He said those who believed Israel could be removed from the scene had tried to defeat Israel on the battlefield, with economic boycotts, terrorism, the slaughter of innocents and hijacking of planes, ships and buses — and they had failed.

"Now they are taking a leaf from the Ayatollah Khomeini's war manual, now they are inciting women and teenagers to fight a war to which democratic countries are most vulnerable: a war of violence in the streets. But, I promise you, they will fail again."

Mr Shamir said that, despite this latest war, he was hopeful. The Arabs would realize violence did not pay and make peace with Israel.

He called Mr George Shultz, the US Secretary of State, and President Reagan "good friends of Israel", and said he began his talks with "the warmth, good will and frankness we are accustomed to".

But he made clear in advance the hard line that he will take on withdrawal from the occupied territories. Israel was being pressed to give up the land, but he was "astounded" at some people's short memories.

"Did we have peace when we did not have these territories? Don't they remember that the two most dangerous attempts to destroy us — in 1948 and 1967 — were made when we did not control any of these territories?"

Mr Shamir is likely to make the same points again in his meeting today with President Reagan. Yesterday he was holding meetings with key

senators, and had a separate discussion with Mr Pat Robertson, a Republican candidate who is a strong supporter of Israel.

His speech on Monday, together with meetings he plans with Jewish organizations here, are part of a broad effort to defuse what some of his aides recognize as growing anguish among American Jews over Israel's handling of the Palestinian rioters and Mr Shamir's forthright opposition to the Administration's Middle East peace package.

While anxious to appear conciliatory in public statements before meeting US officials, Mr Shamir has nevertheless repeated his categorical refusal to endorse US proposals, and has been scathing about them in interviews with the Israeli media.

● **JERUSALEM:** Two more Palestinians were reported killed by Israeli security forces yesterday as West Bank unrest continued, together with a general strike.

# Mediator presses on as Afghan deadline passes

From Michael Hamlyn, Geneva

A psychological, if not an actual deadline, came and went without completing the long-sought agreement on peace in Afghanistan.

Mr Mikhail Gorbachev, the Soviet leader, had indicated that the date was crucial if his troops were to start pulling out of the country by May 15. But yesterday, it became apparent that neither the Afghans nor the Pakistanis, the two sides in the proximity talks held here under United Nations auspices, were proposing to hold the others to it.

The talks continued under the mediation of Señor Diego Cordovez, the UN Under-Secretary-General, who said after a round of informal consultations yesterday: "We are discussing very serious, difficult issues. We continue to negotiate, to seek solutions."

One hopeful sign yesterday was that both the Pakistanis and the Afghans had cancelled press conferences in the past 24 hours — an indication that what Señor Cordovez decries as "posturing, theatrics" is to be played down, and neither side is likely to back itself publicly into a corner where it has to threaten to walk away from the talks.

It also demonstrates that there may be still something

concrete to discuss, and that the apparent failure to receive a positive guideline from the meeting of the Pakistani Cabinet over the weekend in Islamabad is not as crucial as had been imagined.

Moscow (Reuters) — President Najibullah of Afghanistan has appealed to Afghan refugees to come home, saying they would receive aid "from the moment they cross into Afghan territory", Tass said yesterday. It said he made the appeal in an interview on Monday with the Afghan news agency Bakhtar.

But the Pakistanis are still insisting there must be some movement on the establishment of an interim government in Kabul before they will sign the Geneva agreements.

At present, they are said to have backed down to the extent that they do not now seek the physical establishment of such an administration before signature. They are still insisting on at least the convocation of an all-party Afghan conference to discuss

the formation of an interim government, before signature, with some kind of guarantee that the process will continue. The leaders of the Mujahidin Alliance, who are plainly still in total disagreement and

near-chaos over whether to recognize the Geneva peace process, have been reported as coming here to take part in such a conference. They have not yet arrived.

The Afghan side is resisting even this concession. President Najibullah said last weekend that the Pakistan demands were a ruse to delay the successful signing of the accord, and he spoke of a government of the "extremists" offering the refugees

"nothing but a bloodbath".

● **PESHAWAR:** Important political differences are still hampering efforts by the leadership of the Afghan Mujahidin to present a unified front as talks in Geneva continue (Edward Gorman writes).

The seven leaders have been meeting almost continually over the last four days both here and in Islamabad in an attempt to agree on two questions: whether to send an official alliance delegation to Geneva, and who is to act as leader of the alliance in the next three months.

According to one reliable source here, five of the leaders have agreed to send officials to Geneva in an attempt to explain their position both to the talks and on the interim government, but Mas'ud Khan, until recently president of the alliance, and Professor

# UK's envoy to see Botha on Sharpeville Six

By Michael Dynes in London and Michael Hornsby in Johannesburg

Relatives of two of the Sharpeville Six, due to be executed in South Africa on Friday, left Downing Street yesterday morning deeply disappointed after failing to meet the Prime Minister.

They had hoped to obtain a commitment from Mrs Thatcher to intervene directly with President Botha in an effort to have the sentences commuted. Later, in the House of Commons, she announced that the British Ambassador in Pretoria had been asked to see Mr Botha to appeal for clemency on her behalf for the Six. Mrs Thatcher added that she had spoken to the Most Rev Desmond Tutu, the Archbishop of Cape Town, on the issue.

The two relatives, Mrs Julia Ramashamola, aged 52, the mother of Theresa Ramashamola, a waitress, and Miss Joyce Mokhesi, aged 28, sister of Francis Mokhesi, a professional footballer — both of whom are due to be hanged on Friday with four other blacks convicted of "complicity" in the killing of a black township official in 1984 — spent half an hour with two members of Mrs Thatcher's private staff.

They pleaded for the Prime Minister to co-ordinate a last-minute appeal with President Reagan and Chancellor Helmut Kohl of West Germany.

The relatives said that the two Downing Street officials, Mr Charles Powell and Mr Andrew Bearpark, promised to advise Mrs Thatcher to contact the US and West German leaders to see what initiatives could be embarked on to save the Six, whose other members are Mojalefa Se-fatsa, a fruit vendor, Reid Mokoena, a factory worker, Oupa Diniso, a quality inspector at a metal tube factory, and Duma Khumalo, a trainee teacher.

Miss Mokhesi claimed after the Downing Street meeting that the officials were not prepared to commit themselves to a joint and direct approach, even though the relatives of all of the condemned were convinced that it was the only move likely to win a reprieve.

She said: "We really don't know what the intentions of the British Government are. I have no hope. It could make a difference if she speaks personally to Botha, but if she sends an ambassador there is no hope."

Mrs Ramashamola was

equally adamant about the merits of a direct intervention by the Prime Minister: "If she is prepared to intervene, I think they will be saved."

The case of the Sharpeville Six is not only politically explosive, but also highly controversial legally as the accused were convicted of murder even though it was accepted that none of them had been proved to have "contributed causally to the death of the deceased".

Their conviction rested entirely on the judgement, upheld by the Appeal Court last

Johannesburg (AP) — A soldier aged 28 died after being forced to do 75 minutes of strenuous exercises as punishment for returning late from leave. The *Star* newspaper reported yesterday.

Military headquarters would only confirm that the soldier, a corporal, had died of heart exhaustion.

December, that they had shared the "common purpose" of a 100-strong crowd which stoned and then burnt to death Jacob Dlamini, a deputy mayor of a town council, outside his house in Sharpeville on September 3, 1984.

The two relatives later went to the House of Commons to meet Labour MPs, including Mr Neil Kinnock, the party leader, before flying to West Germany to meet Herr Hans-Dietrich Genscher, the Foreign Minister, and Herr Kohl.

The one real last hope for a reprieve now rests with an urgent court application for a stay of execution which is being prepared by lawyers representing the Six.

One of the attorneys, Mr Prakash Dair, said yesterday that evidence not heard at the original trial was being gathered, and it was hoped that this might persuade the Supreme Court at least to grant a temporary reprieve.

If the Six do hang on Friday, their execution will take place only three days before the anniversary on March 21 of the 1960 killing of 69 black protesters in Sharpeville, the drab black township 40 miles south of Johannesburg.

● **Angola stand:** In a marked hardening of its position, President Botha has served notice in an interview with *The Washington Post* that South Africa will keep troops inside Angola as long as there are Cuban forces there.

# Cuomo hit by crossfire in black battle

From Charles Bremner, New York

Governor Mario Cuomo of New York, the man who many Democrats would still prefer as presidential candidate, has come under fire from the black establishment for his handling of a bizarre criminal case that has exploded into racial melodrama.

But in a twist to the usual plot of New York ethnic affairs, the black leaders are accusing the Governor of being too gentle with militant black activists.

Hardly a day has gone by in the past two months without more front-page stories about Tawana Brawley, the 16-year-old schoolgirl whose account of abduction and sexual assault at the hands of white men enraged the black community and ignited the kind of political-judicial theatre that was just satirized by Tom Wolfe in his best-seller *Barfire of the Vanities*.

The mystery of Miss Brawley may never be fully explained, but it will not be for want of trying by teams of prosecutors, the Federal Bureau of Investigation and dozens of reporters from *The New York Times* and other newspapers who have descended on the small town of Wappingers Falls, 50 miles up the Hudson River from the city.

Miss Brawley played truant last November 24 and went to visit her boyfriend in jail in a nearby town. That evening, she got off a bus near her home and disappeared. Four days later, a neighbour found her crawling in a rubbish bag.

She was in a state of shock, her hair had been shorn, her clothes torn, the

letters KKK and "nigger" had been scrawled on her body and she had been smeared with dog excrement. Miss Brawley told police that a "white cop" and other men had kidnapped her, held her for four days in the open air and repeatedly raped her.

Black celebrities such as Bill Cosby, the actor, and Mike Tyson, the world heavyweight boxing champion, took up Miss Brawley's case, which had assumed the same symbolic proportions as New York's Howard Beach incident a year earlier.

After a round of bungling by local law officials and escalating demands from the activists, Mr Cuomo appointed Mr Robert Abrams, the State Attorney-General, as special prosecutor. That did not satisfy Miss Brawley's advisers. The Rev Sharpton, who was recently described by *The Village Voice* as a "hustler" with ties to the boxing world, compared the mild Mr Abrams with Hitler.

A month ago, Mr Cuomo decided to negotiate directly with Mr Sharpton and the lawyers and try to win them over. He failed and they are still refusing to let Miss Brawley meet Mr Abrams.

According to senior figures in New York's black community, Mr Cuomo made a serious political mistake in meeting Mr Sharpton and the two lawyers, thereby conferring authority on them.

"Sharpton is the agent of the devil," said Mr Conrad Lynn, chief counsel for the NAACP, the leading black rights organization. "It's so ridiculous that he's involved, it's a scandal."

Until late last month, the press trod gingerly around the details of the incident itself, in deference to its delicate racial theme. But two weeks ago *The New York Times* published a long investigation which threw up doubts about Miss Brawley's story. Other newspapers followed with reports that have cast suspicion on the whole episode.

Among the new evidence is the fact that Miss Brawley stopped the bus in mid-route to get out, rendering unlikely her claim that men were lying in wait for her. In addition, she was found outside a flat where her family had lived until recently. Neighbours said they saw her coming and going during the four-day disappearance. She had also changed her clothes. She showed no sign of injury.

The *New Republic* magazine this week suggested an explanation that no newspaper had so far ventured. "Brawley, for whatever reasons, ran away from home for a few days last November. She spent at least part of the time in the family's recently vacated apartment... When it came time to go home, she made up a story." The magazine pointed out that her stepfather, with whom she lived, was on parole after a jail term for killing his first wife.

Mr Cuomo is not a presidential candidate and insists he will play no role even in the event of deadlock at the Democratic Convention. But his clumsy performance, untypical as it is, could cause a backlash among white voters and that could help the Republicans.

# Dole spurns his advisers and refuses to throw in the towel

From Our Own Correspondent, Chicago

Spurning his advisers, Senator Robert Dole took his fight to gain the Republican presidential nomination on to Wisconsin from Chicago yesterday, bent on staying in the campaign to pursue Vice-President George Bush in the April primary there.

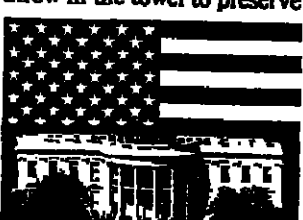
While the Illinois primary yesterday appeared set to narrow the Republican field, last-minute polls suggested that the Democratic contenders are heading ever faster for a "brokered" convention, at which the candidate is chosen after bargaining among leaders of the delegate blocs.

"It's not going to end," Mr Dole said before leaving Illinois for Wisconsin. "There are a lot of people in this country who haven't voted yet. This race has just begun."

Mr Bush also took off for a day in Wisconsin, which holds a primary on April 5. The next big contest for the Democrats in the marathon to the nomination is the Michigan primary on March 26.

With all the polls showing Mr Bush a clear winner in Illinois and the pundits speculating on the make-up of a Bush White House, Mr Dole was relegated to the rank of

sore loser before the vote was over in Illinois yesterday. "I have spent every weekend for the past three years campaigning for the presidency," Mr Dole said wistfully. His senior staff were making little secret of their belief that their man should throw in the towel to preserve



his authority as Senate minority leader.

Writing a premature epitaph on his once-mighty campaign, *The Wall Street Journal* said it was "an astonishing array of missed opportunities and squandered political potential".

Mike Royko, the star columnist at the *Chicago Tribune*, put it another way: "It's Dole's misfortune that when he does smile, he looks as if he's just evicted a widow."

With his apparently un-

assailable lead, Mr Bush has been turning his attention to the short-list for the vice-presidential slot on his campaign ticket, according to Republican insiders.

The boldest option he is said to be considering is Mrs Elizabeth Dole, the senator's wife. She resigned last year as President Reagan's Transportation Secretary to help her husband's campaign. Asked about the idea, Mr Dole was bitter. "I'd be for it," he said, adding that it might get him "a car and a driver".

While the Rev Jesse Jackson and Senator Paul Simon, Illinois's two favourite Democratic sons, waited out their results yesterday, the third front-runner, Governor Michael Dukakis of Massachusetts flew home to Boston to the strains of his campaign song "We're Duke's troops of America".

Despite his expected third place in Illinois, Mr Dukakis has been elevated to the status of most plausible candidate by the leading commentators.

Mr Jackson, the man who could have the final say in who gets the nomination, is refusing to talk about his intentions as a likely broker.



# Reshuffle of power to set Peking's course for a decade

From A Correspondent, Peking

The most powerful men in China, members of the Communist Party Central Committee, met in Peking yesterday to approve a government reshuffle which will determine Chinese policy for as long as a decade.

The opening of the second plenary session of the Central Committee — the second such meeting in less than six months — sets a precedent by departing from past practice whereby the body convened only once a year, and did not have that much of a say in central decision-making.

The unusual plenum was a sign of the more broad-minded approach of the new party chief, Mr Zhao Ziyang, and of the importance he attaches to discussion as a factor in winning support for his policies.

The main task facing the 168 full members and 106 alternate members attending the session — expected to last four days — will be to approve a list of candidates for government appointments. This will then be forwarded to China's nominal parliament, the National People's Congress, scheduled to convene next week.

The proposed changes have already sparked fierce debate behind the "bamboo curtain" which shrouds China's top echelons of power, particularly over the allocation of such positions as President, Vice-President, Premier and government ministers.

Among the most hotly contested prizes has been the ceremonial presidency, now held by Mr Li Xianian, aged 78. The favourite to succeed him is Mr Yang Shangkun, a Politburo member, vice-chair-

man of the party's Central Military Commission and a close associate of the senior leader, Mr Deng Xiaoping. Counting against the veteran military leader is his age. Mr Yang is 82. But Chinese sources say that his friendship with Mr Deng has helped him to outpace any opposition.

Tipped for one of several vice-presidencies is the Panchen Lama, aged 50, a "living Buddha" and the most im-

Peking (Reuters) — China plans to send a high-level delegation led by the Acting Premier, Mr Li Peng, on a sensitive fence-mending mission to North Korea after Parliament ends its session in Peking next month, diplomats said yesterday. They said that ties had been troubled by China's growing trade with South Korea, its refusal to join North Korea's boycott of the Seoul Olympics and its reluctance in defending Pyongyang against charges that its agents destroyed a South Korean airliner last November.

portant Tibetan leader after the exiled god-king, the Dalai Lama. The appointment could be intended as a sop to Tibetan militants opposed to Chinese rule. Chinese sources said, however, that the move could misfire, causing even more Tibetans to abandon their waning respect for the leader regarded by many as a Chinese apparition.

The ailing Defence Minister, General Zhang Aiping, aged 78, is expected to be replaced by the tough-minded General Qiu Guo, also 78. General Qiu is the Peking military commander and the only soldier on the Politburo.

One veteran politician who will probably surprise analysts by staying on is the Foreign Minister, Mr Wu Xueqian, aged 69, now in Britain on a visit previously thought to be his swan song. Mr Li Peng, the acting Premier whose confirmation is virtually certain, has little experience of foreign affairs and has reportedly asked Mr Wu to postpone his retirement.

The Central Committee will also debate a draft state-of-the-nation report which Mr Li Peng, as head of government, will present on the first day of the National People's Congress next Friday.

In the report, Mr Li Peng will propose a drastic streamlining of the ponderous State Council, or cabinet, as well as a far-reaching remodelling of several government ministries.

Chinese sources who have seen the report say it reflects the caution on economic matters which has been the hallmark of Mr Li Peng's premiership since he was appointed to succeed Mr Zhao last November.

But in an indication of the divisions within the leadership, it also contains something for everyone, both the ambitious reformers seeking more rapid change and orthodox Marxists anxious over the speed of some policies.

Suggestions which may dismay more conservative participants in this week's plenum are constitutional amendments to legalize private enterprise and allow the transfer of "use" of property — both radical concepts to central committee members reared on a diet of Maoist collectivization.

## The killing could be compared to the knifing of Caesar

analysis. Old sores are being scratched.

The kidnap reveals not only much about Italian politics but also about government attitudes towards terrorism. Could Moro have been saved if the Christian Democrat-led Government had negotiated? Why did not the Government open talks? What role did the Vatican play? What should kidnap victims have in forming government policy? Why did the police make so many blunders? And, a perennial Italian question: Was there a high-level conspiracy?

The story began on March 16. As the then Prime Minister and the current Foreign Minister, Signor Giulio Andreotti, recalls, it was a day of great political moment. "On that day, a government that would have included Communists for the first time was going to be voted in. Aldo Moro was the architect of the idea — it was said that the kidnap and killing of Moro could be compared to the knifing of Julius Caesar — both were going to the Senate to vote for a new government."

In Rome's exclusive Via Sani a car drew up in front of the Moro convoy and stopped sharply. Another car blocked off the rear. The Red Brigades closed in from three directions and shot the chauffeur and five Carabinieri body guards, the bullets easily penetrating the vehicle. The chief body guard, Inspector Leonardi, had long ago requested an armoured limousine but nothing had been decided. Moro, unheard, was dragged out of the wreckage. By the evening the Government, under the emergency leadership of Signor Andreotti, was confirmed in office.

That turned out to be the only really decisive move of the week.

Certainly the police were stumbling in the dark. It took them three days to discover one of the Red Brigades cars around the towering silhouette of Rakata, a dormant remnant of the old volcano, the dark, sinister form of Anak Krakatau looms into view. Its outer cone is a rounded hump of ash, leading up to the summit where wisps of white vapour trail ominously from the inner crater.

On the shore, half-buried in the black sand, the skeleton of a fishing boat is a reminder of the hazards awaiting those who venture to this desolate spot. Six months ago it was capsized by huge waves.

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## Ten years after Moro's kidnap

# The haunting image of Italian terrorism

From Roger Boyes  
Rome

The image still haunts. The chairman of the Italian Christian Democratic Party, his body buckled as if in a diver's cramp, was dead in the back of a Renault 5. The car was politically positioned, parked halfway between the headquarters of the Christian Democrats and those of the Communists.

Aldo Moro, five times Prime Minister and one of the most distinguished of Italian leaders, was kidnapped by the Red Brigades 10 years ago today. After 55 days of captivity and a nonsensical "people's trial" he was murdered. Italy passed from a state of political emergency into a state of clinical shock.

The kidnap was the most audacious event of the terrorist era. Neither the Red Brigades nor Action Directe, nor terrorists such as the IRA and Eta have been able to kidnap the former and potentially future leader of a country in broad daylight, hide him in the capital for three months, regularly pass letters out that divided the political establishment, and then, when the passion of evasion had passed, murder the man. It was the peak of the power of the Red Brigades; from the moment of the murder it lost its footing and its self discipline, bent back against the assault of the state.

Now Italian terrorists are being freed on daytime parole, some of the sentenced murderers take summer holidays from their high security prison, and others await an amnesty, perhaps to mark tomorrow's anniversary. The events, too dramatic to digest at the time, are only now being talked about dispassionately, with the Red Brigades, politicians and the church actively taking part in the national self-



Peak of the Red Brigades power: Signor Aldo Moro, five times Prime Minister of Italy, and the scene in Rome two months after his kidnap as firemen carried his body from a car in which he had been left shot dead by the terrorist group.

100 yards from the scene of the kidnap. And when the police issued a list of wanted men — broadcasting the pictures on television — they embarrassingly found that two fugitives were already in prison while another was in Paris.

The Red Brigades strutted. Their first communiqué on March announced that Moro was in a "people's prison" — probably a Roman basement — and would be put on trial. The founder of the Red Brigades, Renato Curcio, facing a rather different kind of trial in Turin, shouted triumphantly from his courtroom cage: "Moro is in our hands."

The Red Brigades were organized in tightly disciplined "columns" that operated in almost complete isolation; other terrorist groups, such as Prima Linea, were more loosely structured and more easily penetrated. The police hauled in and questioned informants, recruited new ones, but to no avail. The Red Brigades were almost frisky; they issued communiqués brimming with leaden clichés announcing the progress of Moro's trial, while at the same time other Red Brigades cells were carrying on "kiss-carrying" mayors, industrialists and journalists.

On March 29 the Red Brigades passed on the first of many of Moro's letters to the outside world. It was addressed to the Minister of the Interior, Signor Francesco Cossiga — now President of Italy — and was an appeal for urgent action. It was in the language of parliamentary debate or a legal brief; Moro didn't just want to be free, he wrote, he wanted to ensure that important state secrets did not fall into the hands of the terrorists.

There was a mixed analysis of the letter. Was it written under duress? And why to Signor Cossiga? Was there not a concealed suggestion that the Government should stay firm (after all, Moro was not an admirer of either Brezhnev or Pinochet)?

The Government, which rushed through an Act extending police powers, was against negotiation. The position was not unanimous — there were doubters in the Christian Democratic Party and the Socialist Party who swiftly broke rank and pressed for talks with the terrorists. But the government line was that it would effectively be breaking its own laws by doing deals with terrorists.

Now Signor Andreotti says:

"Of one thing I was sure: we had no right to free other terrorists to save the life of one of us (that is, a Christian Democrat). It was too dangerous for the State."

As the kidnap entered its second month the atmosphere in Italy grew edgy. The Red Brigades continued attacks; it was almost impossible to go out at night without being stopped at least once by the police. But all that the authorities had to show by April 11 was the capture of a wounded Red Brigades foot soldier who had been left by his colleagues on the doorstep of a hospital. He refused to answer police questions.

Moro's letters became more anguished, but they only reinforced the government argument that he was under intense psychological pressure and that his views should therefore be discounted. "He is no longer the Moro we know," said an official statement released by a group of Christian Democrats.

That took the wind out of other potential negotiations. Pope Paul VI, who regarded Moro as a friend, had been following the drama as a hand-wringing spectator. On April 22 the Pope wrote an appeal to "the men of the Red Brigades" and a Monsignor was allotted the task of emissary. With Signor Andreotti, the Monsignor discussed the idea of

offering a Vatican ransom — it seems that the Church had found a line of communication with the kidnapers. The Red Brigades, sensing a turning point, named their conditions for Moro: the release of 13 "Communist prisoners". But neither the Vatican's initiative nor the over-cautious attempts by a Socialist lawyer, came to anything. Dr

## The police used the Moro affair to crack down hard

Kurt Waldheim, then United Nations Secretary-General, addressed the Red Brigades on television, with no effect.

The shadow war took over. Both the terrorists and the Government had to conceal their real meaning in the bluster of public statement. The Red Brigades said they wanted their comrades freed, but were probably ready to settle for any gesture that demonstrated their victory.

The Government for its part said it would not negotiate, but what it really meant was: to give in now would be to lose not only the battle, but the whole campaign against terrorists. Since it was the Government who had to free prisoners or guarantee safe passage, third party negotiators were powerless.

But the Moro letters — there were scores — were beginning to prod the public's conscience. It was clear that Moro would be squeezed between the Government's hardline decision, and the Red Brigades' reluctance to lose face.

On May Day the family made a last appeal to the Christian Democratic Party to "bravely take on their personal responsibilities". By May 5 the Red Brigades' ninth communiqué declared: "We are ending the battle started on March 16 by carrying out the sentence to which Eldo Moro was condemned." On May 9 his body was found with five bullets around his heart.

Moro, in despair, had written: "I request that neither state authorities, nor party members attend my funeral. I wish to be followed only by those who truly loved me and are therefore worthy of accompanying me with their prayers." The Government ignored the request and attended the funeral mass. The immediate family — which even now is smarting from the murder — did not attend.

In January 1983, 59 terrorists were found guilty of the murder of Moro. It was a catch-all charge: 59 guilty men and women, yet, in fact, the crime was and is unsolved. The police used the Moro affair to crack down hard and anyone belonging to the Red Brigades was liable to be charged with killing Moro.

The deeper issues further confused the Moro affair as a "who done it?" story. The Government's refusal to negotiate, the police inefficiency and the fact that Moro was about to strike a political deal with the Communists — could these all be related? For those committed to right-wing Christian Democrat hegemony, Moro was dangerous.

The conspiracy theories are fuelled by the fact that the whole leadership of the Italian intelligence services at the time were members of the P 2 Freemasons lodge, the sinister and outlawed political club.

Non-negotiation with terrorists is now widely recognized as a political virtue, although this seems to be more a question of definition than of ethics. And the police blunders — arresting rather than trailing suspects, clumsy house searches, ignoring clues in Moro's letters — could well be ascribed to incompetence and poor communication between the police leadership and the commanders in the field. But still the doubts remain.

# Wu attacks Dalai Lama as an exile 'talking nonsense'

By Andrew McEwen, Diplomatic Correspondent

The Chinese Foreign Minister, Mr Wu Xueqian, yesterday denounced the Dalai Lama, who is to visit Britain next month, accusing him of making "untenable and reactionary" statements and "talking nonsense".

The attack was interpreted by sources close to the Dalai Lama as a measure of Chinese sensitivity over violent disturbances in Tibet in October and again this month.

Mr Wu, who leaves Britain today after a one-week visit, said of the Dalai Lama: "He is not purely a religious figure, he is also a political exile. It was precisely during the early October unrest in Tibet that the Dalai Lama attacked China while he was in the United States and put forward some propositions which were untenable and reactionary. He is now talking all kinds of nonsense as a political exile."

But Mr Wu coupled his attack with a renewed invitation to the Dalai Lama to return to China as a religious figure. He added: "We maintain contacts with the Dalai Lama through various ways".

A friend of the Dalai Lama said this was the first time informal contacts had been publicly acknowledged by China. The invitation to return from exile in India has always been refused because of unacceptable conditions attached to it.

The Tibetan Buddhist leader is due to speak at a Global Forum meeting of international religious leaders at Oxford on April 12. His visit follows that of Mr Wu more closely than the British Government would have liked. A visa was granted only after an assurance that he would not make political statements.

The Government's concern not to make an issue of Tibet has been clear during the visit. Sir Geoffrey Howe, the Foreign Secretary, raised the subject informally over dinner last week. The Foreign Office said he "made clear the continuing Parliamentary and public interest".

Downing Street sources said that Mrs Thatcher "asked for an account of developments in Tibet".

The Dalai Lama: Visit to Britain next month. Tibet at a meeting with him on Monday. But there has been no hint of criticism of firm Chinese methods used to quell riots in Lhasa.

Mrs Thatcher took the unusual step of meeting Mr Wu at the front door of 10 Downing Street, a gesture usually reserved for heads of state or government. An official said it underlined the importance Britain attached to the visit.

Britain's overriding interest has been to maintain a close understanding with China to ensure the success of the 1982 Sino-British Agreement on the hand-over of Hong Kong in 1997.

Downing Street said that Mr Wu and Mrs Thatcher expressed satisfaction with progress. This was thought to mean that Whitehall and Peking were still in step over changes to the colony's Constitution.

The Hong Kong Government last month announced limited steps towards direct elections, and Peking is to unveil its first draft of the post-1997 basic law next month.

Mr Wu said yesterday: "Our concern ... is that there should be convergence between the political reform in Hong Kong now and the basic law which is going to be promulgated."

He reaffirmed China's acceptance of the principle that "the future legislature of Hong Kong should be formed by elections".

He added: "After the transfer of government, the politics of Hong Kong will be gradually democratized". But there is concern in Hong Kong that Peking may have in mind Chinese rather than Western-style democracy.

Mr Wu confirmed that moves by Mr Deng Xiaoping two years ago and by Mr Mikhail Gorbachev last year to improve Sino-Soviet relations had got nowhere.

"The reasons why there are no substantive improvements ... is because of the existence of three major obstacles," he said. He implied that Vietnam's military involvement in Cambodia remained the main concern.

After naval clashes between China and Vietnam on Monday over the contested Spratly Islands, Mr Wu said the islands were Chinese territory.

"There would be no conflict if they did not enter Chinese waters," he said.

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# Krakatau's turbulent child echoes cataclysm

From Gavin Bell  
Krakatau, Indonesia

The Child of Krakatau is growing restive. For the past two weeks, the island volcano has been trembling in the manner of its infamous parent, spewing columns of fire and ash and sending shock waves through the Sunda Strait between Java and Sumatra.

Stepping onto this nightmare landscape of black ash and lava, one is reminded uncomfortably of the cataclysmic explosion that shook the world on August 26, 1883, when Krakatau erupted with the biggest bang in recorded history.

More than 36,000 people died when tsunamis (tidal waves) up to 135 ft high swept through the strait at 350 mph and devastated hundreds of coastal villages and towns. The waves were registered in the English Channel, and a giant dust cloud circling the earth created optical illusions and altered the climate of the northern hemisphere for several years.

Sundanese natives blamed the Dutch colonial authorities for failing to offer blood sacrifices to volcano spirits and sea ghosts prowling the area.

From its caldera (collapsed crater)

200 metres beneath the sea, Krakatau gave birth to four islands early this century, but only one survived the pounding surf. Anak (child of) Krakatau, which emerged in 1930, is now some 600 ft high and growing steadily with the violence of its progenitor.

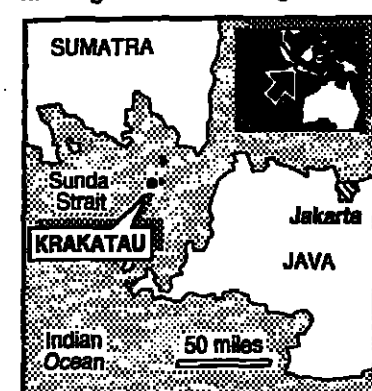
An intermittent series of eruptions died down in 1981, allowing it to become a tourist attraction, but it began stirring from its slumber again late last month. During such periods of activity, Indonesian officials urge visitors to view events from the safety of their hotels on the coast of west Java, 30 miles away.

This sensible advice is occasionally ignored by small groups of the brave or foolhardy who charter fishing boats for 10-hour round-trips from Dr Axel Ridder, manager of the Carita Krakatau Beach Hotel. Dr Ridder, an erstwhile West German government employee, doctor of philosophy and raconteur, likes to shock his clients by informing them they have an 80 per cent chance of coming back.

"They are totally crazy, ja!" he observes cheerfully. "The professors say you can't predict anything, but we promise to give them certificates and they go anyway." Dr Ridder

hasn't lost anyone yet, but there have been mishaps. In 1986, two American women were reduced to living on rainwater and toothpaste when the engine of their boat failed, and they drifted for three weeks.

A few years earlier, Dr Ridder was standing on an outer ridge of the



volcano when it erupted without warning: "You saw everywhere fireballs, and boulders were falling all around me. I couldn't take photographs because my hands were shaking so, and I started to run. I should be dead already."

Approaching the four islands of the Krakatau group, the scene is deceptively calm, but as we edge

around the towering silhouette of Rakata, a dormant remnant of the old volcano, the dark, sinister form of Anak Krakatau looms into view. Its outer cone is a rounded hump of ash, leading up to the summit where wisps of white vapour trail ominously from the inner crater.

On the shore, half-buried in the black sand, the skeleton of a fishing boat is a reminder of the hazards awaiting those who venture to this desolate spot. Six months ago it was capsized by huge waves.

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The ascent is made treacherous by narrow cavities and fragile crusts of ash formed by tropical rainstorms. Higher up, the surface becomes soft and smooth, and it is like toiling through shifting sand.

From the outer cone, the crater 400 yards away appears as a gaping, jagged hole extending partly down one side of the slope. From the lower lip, an uneven trail of barely solidified lava spills out like black

vomit. The mountainside is streaked by yellowish deposits of sulphur from the clouds of vapour swirling from its summit.

One is startled by a sudden cracking sound as rocks are torn from the lava flow and hurled down into the outer crater. It is a relief to regain the illusory haven of a small cove of trees and grassland on the northern shore.

Cemara and fig trees have taken root on the island, attracting 22 species of land bird and three species of reptile, providing scientists with a natural laboratory for studying both physical and ecological change.

Krakatau's child was mercifully quiet at the time. An English tourist who visited it a week previously had a different experience.

"It erupted as we were taking pictures on the outer cone," he recalled. "It was terrifying, like a huge bomb going off." When his Indonesian guide turned tail and fled for the boat, he wisely followed and lived to collect his certificate.

Local experts are not unduly concerned by the volcano's adolescent tantrums, believing it to be a safe distance from inhabited regions. But that's what the Dutch colonial authorities thought in 1883.

## WHERE TO THE MANOR BORN?



This month's issue of the magazine takes you to Warwickshire to discover the Gothic splendour and intricate lacy decoration of Arbury Hall.



TRADITIONAL INTERIOR DECORATION APRIL-MAY 1988



# A Mannesmann Tally printer has a stronger case.



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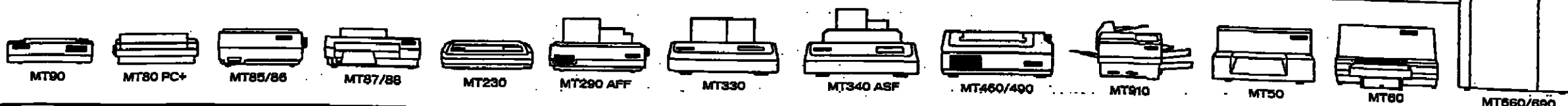
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## SPECTRUM

# On the wings of a myth

This week a group of athlete-pilots set off for Crete in pursuit of man's oldest dream: to fly, using nothing but their own strength, in the wingbeats of Daedalus. Charles Bremner reports

Out in the high California desert, where Chuck Yeager smashed the sound barrier and the Mercury men sought the Right Stuff, a band of hi-tech dreamers are pursuing a myth. With the help of computers and old-fashioned passion, they are nearly ready to launch one of their number across the Aegean Sea under his own power to re-enact the flight of Daedalus.

Some time early next month, barring unexpected winds, one of five young athletes will pedal the 74 miles from Crete to the island of Santorini, or Thira as it is known. It is a goal that until just a decade ago would have been about as feasible as breeding a minotaur.

Daedalus, an old carpenter, made the crossing to escape a Cretan prison with the help of wax and feathers. Icarus, his son, took off with the same prototype but he pushed the envelope, as the Top Guns here at Edwards Air Force base say, and splashed down featherless.

The sun won't threaten the 1988 Daedalus, but he will be aiming to avoid the Icarus splash. His challenge is to stay about 15 feet above the waves for six hours, a feat that requires the energy of running two marathons. If he stops pedalling, his beautiful but unwieldy flying machine will hit the water in just 30 seconds. "It's not like a bicycle because it's steady. There are no hills, no sprints," says Glen Tremml, a medical student and one of the athlete-pilots now reaching the peak of a ferocious conditioning programme. "From the very first minute you have to put out exactly the same power as the very last minute."

The Daedalus project, devised three years ago by a group of flying-mad engineers at the Massachusetts Institute of Technology, reaches far beyond all

previous achievements of man-powered flight. The inspiration came from the 1979 man-powered crossing of the Channel by Brian Allen's Gossamer Albatross, a 22.3 mile flight that remains the distance record.

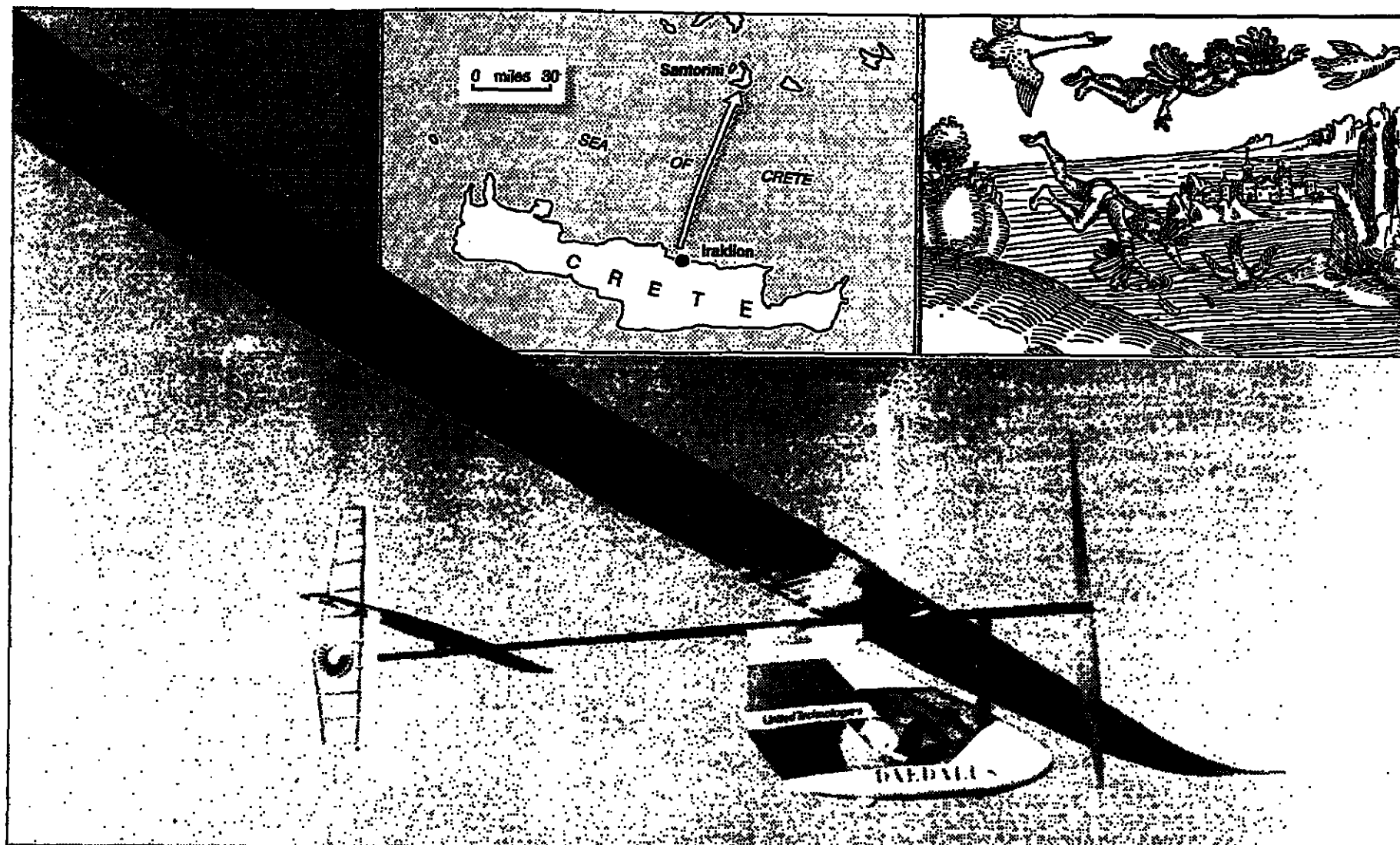
"When Brian Allen flew the Channel, people were saying that was the ultimate," says Steve Bussolari, the project test pilot and flight director. "People talked about re-creating the flight of Daedalus and we thought it was impossible. Here we are 10 years later proving it's feasible."

The Daedalus team has made the most of the advances in space technology and the understanding of human physiology to build the craft and train the men to fly it. Their goal is not a prize, simply the challenge of living a legend that spoke for mankind's most common dream.

They have finished up with a spindly and shimmering contraption with the 100 ft wingspan of a jet airliner. Built from graphite epoxy, mylar and other exotic materials, it weighs only an astonishing 70 lb. Despite the tough materials it is extremely breakable. Luckily the back-up model was just being finished last month when a gust of wind brought down the original craft and smashed a wing.

Its big advantage over the Gossamer Albatross is the sleek design that gives it a lower drag, requiring less effort to stay aloft. Finding the right "engine" was the crucial factor for the scientists, who calculated the daunting power requirements for a man to cover the distance. "I felt that it was going to be easier to teach a good athlete how to fly than to teach a pilot to be an athlete," says Bussolari, an expert in aerospace "human factors" at MIT.

Tremml, an original team member who holds a pilot's licence, was joined by four cycling champions picked after rigorous testing. One of the four is Kanellos Kanel-



A legendary passion: the new Daedalus weighs just 70 lb, but for its pilot, pedalling the 74 miles of the flight of Icarus and his father will be equal to running two marathons

opoulos, the top Greek cyclist for the past 14 years and something of a national hero.

The team share a flat in the Californian town of Lancaster with a computerized flight simulator that looks like a cross between an exercise bicycle and a video-game. With the help of such hi-tech gadgetry they can monitor their performance with extraordinary precision. Each, for example, follows his heart rate through a wrist device that receives radio signals from a strap on his chest. When he reaches his target rate, a buzzer sounds.

"We're calibrated engines," says Tremml, who, like the others, spends the day trying to ingest

enough of the carbohydrates and liquids to fuel the 6,000 or so calories he burns every day. The liquid is everything. The scientists have worked out that the pilot will sweat a litre an hour during the flight.

According to the scientists, a six hour test on the simulator last month has proved that each has more than enough stamina. Turning out about half a horse power, the pilot will be using about 60 per cent of his maximum possible output. Apart from Tremml, who pedalled 36.6 miles on Daedalus last year, the other pilots have had surprisingly little time in the air to get used to the simple controls of their slow-flying bird. The Daedalus

is powered through a geared crank to the huge two-blade propeller; it steers with a little joystick.

The four, who were taught the rudiments of gliding last year, all say they love it. "It's sort of like *The Right Stuff*," says the blond Greg Zack. The NASA and Air Force pilots at Edwards, the home of so much 20th century aero-love, are taking an interest in the puny human flying machine in their midst. It sits in a hangar not far from the space shuttle and top-secret projects including the Stealth war plane. Alongside the billion dollar budgets of the war

planes, the million it has taken to launch Daedalus is small beer.

It is the idea of re-creating the myth that fires everyone's imagination, Tremml says. "They have cut up the pilot's effort. Weather has had to become a near obsession for the project. In the evening at Lancaster, Bussolari calls up instant satellite radar pictures on his little computer, fretting about the prospects for the next morning."

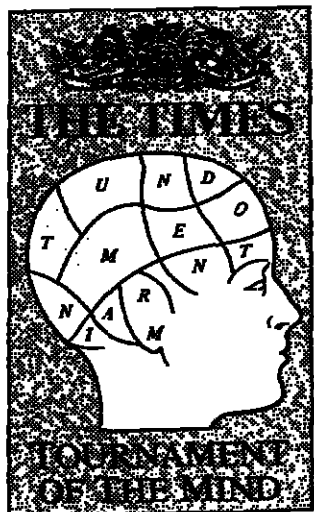
The Greek air force is to fly the Daedalus to Crete later this week and take-off is planned for April 1. "Of course, most of the fun is getting there," says Bussolari. "By the time we'll be in Greece, 90 per cent will be over."

the pedaller from inside a fleet of escort boats, says they have to wait for near dead calm before the unassisted take-off at first light from Iraklion. Any headwind will eat up the pilot's effort. Weather has had to become a near obsession for the project. In the evening at Lancaster, Bussolari calls up instant satellite radar pictures on his little computer, fretting about the prospects for the next morning.

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## Tournament of the Mind

Today the contest that has put Britain's brains to work comes to the end of its first stage — with the finals, still to come, to decide the £5,000 first prize winner



Round 20, 100 questions and a possible 1,000 points brings the first stage of *The Times* Tournament of the Mind to an end.

The readers with the top 100 scores in the questions, set by Mensa, will be invited to play in the finals to be played over six days in the week beginning April 11, for the first prize of £5,000, a trophy and the title *The Times* Mind of the Year.

A second final for schools will be played in *The Times* in the week beginning April 18. In the

schools' section the teams scoring the 10 highest points will play for the school prize of an IBM Personal System/2 Model 30 computer. The winning school will also receive a commemorative plaque and each member of the winning team will be awarded a certificate to mark his or her achievement.

The school team must have a named leader and cannot consist of more than 10 members.

All entries must be received by March 22. They must be submitted

on original answer forms printed in *The Times*, and should be sent to *The Times* Tournament of the Mind, British Mensa, PO Box 99, Wolverhampton, WV2 4AH. All entries will be checked and marked by Mensa and should not be sent to *The Times*.

The answers to the first stage will be published in *The Times* over four days from March 23. Readers with any queries as to how the answers were arrived at should contact Mensa on 0902 772771.

The questions in the

finals will be printed in *The Times*, but individual answer forms with stamped addressed reply envelopes will be sent to all finalists — schools and individuals — whose names will be published in *The Times* before the finals are played. In the event of a tie, extra problems will be set until an outright winner in each section is found.

The Editor's decision is final and a full set of rules is obtainable from *The Times* Tournament of the Mind, 1, Pennington Street, London, E1 9XN.

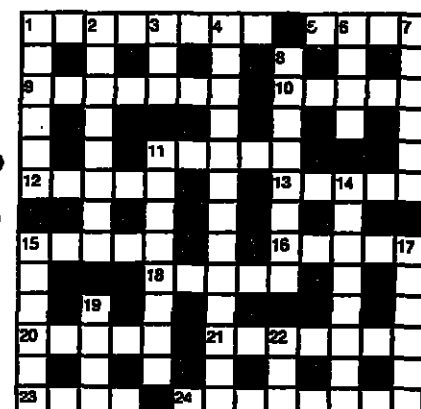
### CONCISE CROSSWORD NO 1515

#### DOWN

- 1 Loose Oriental coat (6)
- 2 Bounce off (8)
- 3 Manuscripts (3)
- 4 All night flight (3,3,7)
- 5 Deep affection (4)
- 6 Pity-rousing power (6)
- 8 Equipped with tanks (8)
- 11 Equine spine sagging (8)
- 14 First Roman emperor (8)
- 15 American crocodilian (6)
- 17 Inclined (6)
- 19 Loosen (4)
- 22 By way of (3)

#### SOLUTION TO NO 1514

- ACROSS: 1 Dry bob 5 Samson 8 LBC 9 Gringo 10 Remain 11 Clog 12 Sedition 14 Contemplation 17 Landmass 19 Else 21 Rialto 23 Iberia 24 Fen 25 Anoint 26 Gadget DOWN: 2 Rural 3 Benighted 4 Blossom 5 Scrod 6 Mem 7 Orinoco 13 Title deed 15 Ovation 16 Lasting 18 Aloft 20 Slide 22 Lei



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### ROUND TWENTY - QUESTIONS

Try all the questions — remember it's the top scores that count

#### PROBLEM SOLVING

Each different symbol has a different value. The numbers at the end of each row and column are the totals of the four symbols in that line. Can you fill in the missing value?

○	△	+	□	194
*	□	□	+	187
△	*	*	○	198
○	△	+	□	194
?				215 185 181

#### VERBALS

Below are some words written on both sides of brackets. You must change the first letter of each word with another in such a way that two different words are now formed. Place the letter you have used within the brackets and then read the letters downwards. You will find that they create an apt word for the final round. What is the word?

PAST ( ) OVER  
TEAR ( ) LOT  
LARK ( ) GRAIN  
CASE ( ) WIDER  
SOUR ( ) PEAR

ML All words appear in the large edition of the Collins English Dictionary

#### LOGIC

If you look carefully at this set of figures you should be able to work out the relationship between the numbers outside the brackets and the number inside on each line. What should replace the question mark?

73 (95) 99  
48 (56) 28  
85 (?) 17

### ROUND 20 - ANSWERS

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PUZZLES Answer 1 ..... Answer 2 .....  
Answer 3 ..... Answer 4 .....  
GENERAL KNOWLEDGE Answer 1 ..... Answer 2 .....  
Answer 3 ..... Answer 4 .....  
Answer 5 .....  
NAME (if individual entry) .....  
ADDRESS .....  
PHONE .....  
SCHOOL NAME/ADDRESS (if team entry) .....  
PHONE .....  
TEAM LEADER'S NAME .....



# Esso explodes a few myths about UNLEADED

MYTH  
MYTH  
MYTH  
MYTH

The Chancellor's Budget announcement of a price incentive in favour of unleaded petrol is welcome news.

But it raises questions in the minds of some motorists who are unsure about running their cars on unleaded petrol.

So we thought we should correct some popular misconceptions in order to help motorists who want to take advantage of the lower price.

**MYTH** It costs a small fortune to convert your engine to run on unleaded petrol.

**FACT** 60% of cars produced since mid 1985 are capable of running on unleaded petrol. Some require no adjustment at all; others only require retuning the engine to suit unleaded petrol's 95 octane. Retuning could cost as little as £10—so think of all those pence per gallon you'll be saving. Ask for a quotation from your dealer.

**MYTH** Performance and economy are reduced significantly on unleaded petrol.

**FACT** The experience of motorists who have made the change shows that hardly anyone will detect any difference in either performance or economy.

**MYTH** Unleaded petrol is the equivalent of 2-star leaded petrol.

**FACT** Unleaded petrol is 95 octane and so its rating lies between 3-star and 4-star.

**MYTH** Unleaded petrol pumps are hard to find.

**FACT** The position is improving rapidly and Esso are leading the way with more unleaded pumps than anyone else. There are already almost 800 petrol stations selling unleaded petrol in the UK of which Esso has over a third. And that number will continue to grow.

**MYTH** Once your engine is tuned for unleaded petrol, you can't use leaded petrol.

**FACT** Wrong. With the exception of cars fitted with Catalytic Converters (see below) you can use either leaded or unleaded petrol.

**MYTH** I will have to buy a Catalytic Converter.

**FACT** No. At some time yet to be decided by the Government, many new cars will have these fitted to further reduce automotive emissions. But there will be no requirement to fit them on older cars. Cars fitted with Catalytic Converters can only run on unleaded petrol as the catalyst is destroyed by lead.

**MYTH** Leaded petrol won't be available after 1990.

**FACT** Yes it will and for many years thereafter. But as time goes on it may be increasingly difficult to find as there will be fewer cars requiring it.

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**FACT** Esso have more unleaded pumps than any other company.

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## THE ARTS

## Dull thugs

## TELEVISION

All over the country, people are picking up their milk bottles from the doorstep with extreme caution this morning. At least they are if they watched *Crossfire* (BBC1) last night, since this latest contemporary thriller has a few helpful suggestions to the IRA, as to how they might institute a campaign of terror against ordinary people on the British mainland, by substituting a little explosive for their daily pinnas.

Was this what caused this serial to be much debated internally at the BBC and its transmission to be delayed? If so, it hardly seems worth the trouble, as there is nothing here that any IRA activist could not have thought of in his sleep. I do not move widely among IRA men and so cannot pronounce with much authority, but the brain-burning collection of yobbos assembled in an Irish farmhouse, debating their future tactics, lacked even the vaguest resemblance to reality.

If this storyline was distinctly unpromising, there was even less conviction in Freddie Ross (Cannon Boland), a Home Office computer analyst who stared at his little green screen all day, trying to root out IRA moles from his system. Increasingly obsessed with this task, he applied for a posting to Belfast, much to the disgust of his teacher wife, who was rather better off in *Moswell Hill*.

John McNeill's plot seemed like a synthetic follow-up of *The Price and Bird of Prey*, two superb serials, but his script was banal: "I look for patterns," said Ross to his selection board, explaining his special genius. "You think you're so bloody marvellous at seeing patterns but you don't see the pattern in your own life," added his wife, with pleasing symmetry, 20 minutes later.

William Holmes

## A classical re-education

ZOE DOMING

Irving Wardle argues that our best theatre directors have rejected the false gods of relevance and outrage and now classical and non-contemporary drama is being presented with a proper respect for its context and integrity

Shortly before unveiling the first of his productions at the Old Vic, Jonathan Miller gave an interview summoning the classical theatre back to the historical fold. "The reason we do plays from the past," he said, "is not just to illuminate our own emotions, but to break bread with the dead."

Sure enough, when *Andromache* opened last January we were back in the 17th century. The translation may have been an anachronistic mess, but it only threw the self-effacement of Miller's contribution into relief.

Monochrome design, semi-circular groupings, minimal gesture — every element carried the message that we were seeing the work of a distant time which would only be mutilated by any attempt to bring it closer.

"Only subtract" was the show's unspoken motto. Could it have come from the same man who once installed a juke-box in *Rigoleto* and lumbered the Countess Almaviva with a pack of children?

In one sense, Miller is evidently following in the footsteps of his old adversary, Peter Hall, who famously underwent a conversion from "relevant" to "faithful" production when he moved from the RSC to the National Theatre. Miller, meanwhile, was pouring scorn on the deluded faith in the "author's intentions" and zestfully appropriating classics to express intentions of his own. But now — judging from *Andromache* and, by all accounts, his Los Angeles *Tristan and Isolde* — it seems that Miller too has arrived at the age of historical discretion.

A newfound respect for the past is not limited to the careers of these two men: it is gaining ground elsewhere, and not only on the classical stage. Interviewed on his Lyttelton production of *Cat on a Hot Tin Roof*, Howard Davies did not dwell on the play's treatment of homosexuality and its relevance to Clause 28: he talked about the difficulty of placing Tennessee Williams in historical perspective.

At the Comedy, Vanessa Redgrave appears as the abused peasant wife in O'Neill's *A Touch of the Poet*: an underwritten doormat role, calculated to arouse sexist fury against the dramatist no less than against his male characters. When I saw this play in Dublin in the 1960s, that role seemed with unspoken resentment and accusing glares.

Redgrave banishes all of that. She takes a great imaginative leap into the pre-feminist world where loving submission is its own reward. Even in 1936, when O'Neill wrote the play, this flashback to 19th century Catholicism would have been an eye-opener.



Richard Eyre: not seeking to change the world through theatre

In classical production the change is even clearer. When Hall directed *Hamlet* in the mid-Seventies, its uncut, concept-free length stretched ahead as an interminable ordeal. When he approached *Antony and Cleopatra* in the same way last year, the response was ecstatic. Nowadays, the first point to grasp about Shakespeare is that he is not our contemporary.

There are still productions, like Michael Bogdanov's tabloid Shakespeare histories, or Bill Bryden's community-centre *Parasol*, that nudge the spectator along with modern imagery. But where such work used to be admired for leading the spectator from the known to the unknown, its effect now is as embarrassing as that of a vicar seeking some homely instance to put his congregation at ease with hell-fire. You can see the same

process at work when a director returns to a play after the lapse of a few years. During his spell at the Nottingham Playhouse in the 1970s, Richard Eyre staged an updated version of *The Government Inspector* as a satire on black-marketing in post-war Yorkshire. That was how people saw Gogol's comedy in those days.

It was a very different matter when Eyre revived the play at the Olivier three years ago. The domestic territory of English social comedy gave way to an alien bureaucratic landscape, with monster flies crawling over deserts of rotting documents and a demoralized pack of small-town officials cringing under a gigantic portrait of the Tsar.

At the financially-straitened time of that production, Mr Eyre gloomily predicted that it would be the last of the big

shows. Ironically, it turned out to be a forecast of what was to come: in the sense that it shifted attention from the state of England to the state of other countries and other times.

One factor that has hastened this change is the increasing traffic between the theatre and the opera house. Directors accustomed to carving classics up to reflect yesterday's headlines are apt to undergo a shock when they encounter the subliminal disciplines of music; and then reimport those disciplines into the theatre, along the lines of Hall and Miller.

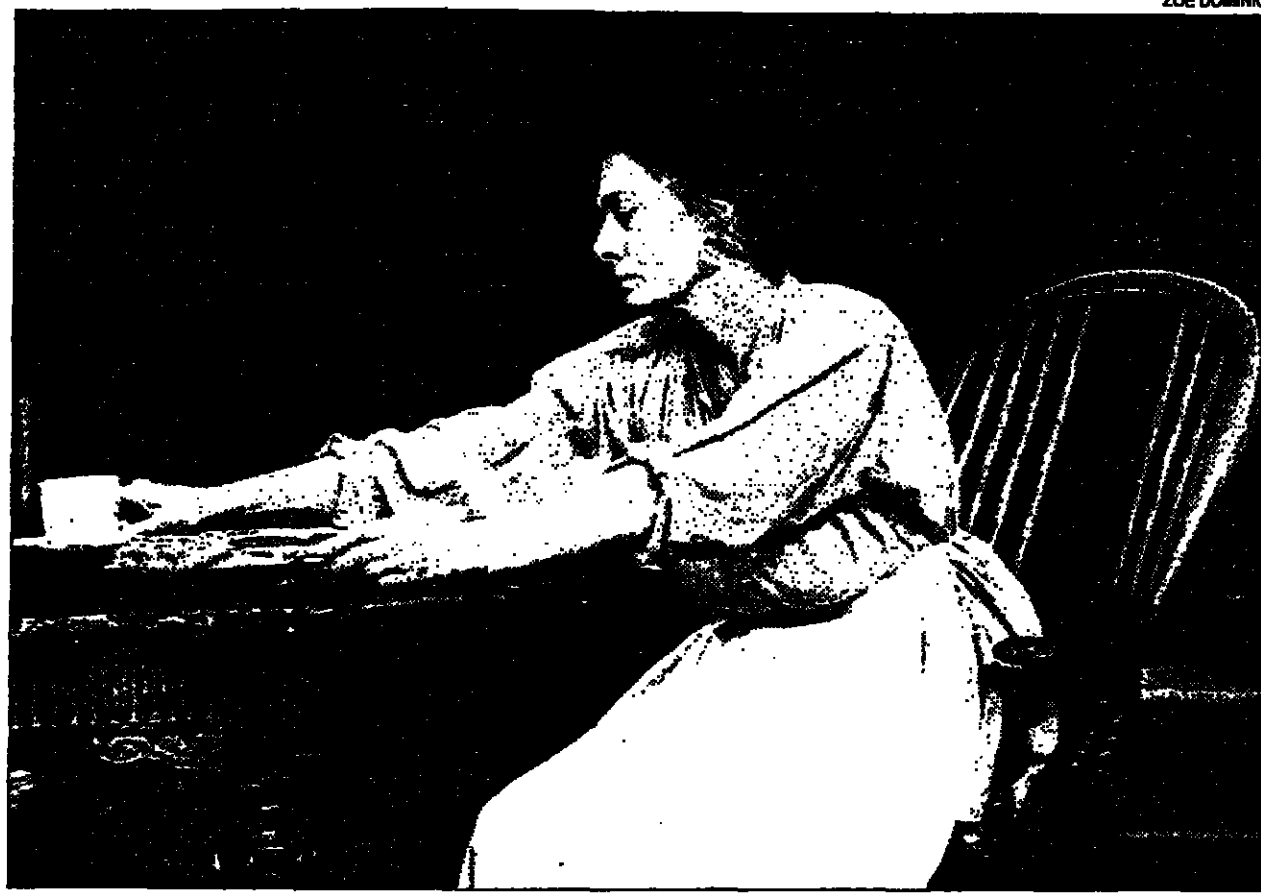
But, as Eyre is the first to acknowledge, the movement is not confined to directors. At Nottingham, which he turned into a power-house of front-line work from Brenton, Hare, and Trevor Griffiths, "we felt not that the theatre was a

microcosm of the world outside, but that we could change the world from inside the theatre.

"That *folie de grandeur* has gone. It would be hopelessly naive now for anyone to take an unambiguous view of politics in this country. Like everyone on the Left, I'm in terrible confusion over what one can do."

Hence one reason for redirecting attention elsewhere. This is a liberating move if — as with the examples I have quoted — it opens up our insular imagination and frees the English spectator from the wearisome sight of his own face in the mirror.

It will become dangerous if expressive intention evaporates into the picturesque evocation of past times: turning the classical stage into a department of the heritage industry.



Loving submission: Vanessa Redgrave in the production of Eugene O'Neill's *A Touch of the Poet*, now at the Comedy Theatre

## Hearing double

Vladimir Ashkenazy, the Royal Philharmonic Orchestra's music director, has given the RPO his backing over its handling of the now famous booking to supply 120 British musicians for an open-air production of Verdi's *Nabucco* in Jerusalem. The production has been cancelled; its producers are suing the RPO, and the orchestra is issuing a counter-claim.

"I cannot comment specifically on this affair, because it is in the hands of our lawyers," Ashkenazy told *The Times*. "But I am entirely with the orchestra and its management. I support what they did, and I will continue to support them."

"Secondly, despite the things that certain people have been saying to the Press, I wish to say that I consider it an honour to be this orchestra's music director. I have the highest regard for the players and management."

Ashkenazy's statement came after other London orchestras attacked the RPO for accepting the Jerusalem engagement when it clashed with London concerts. In particular, one remark by the London Philharmonic's manager, John Willan, that he could not understand how musicians such as Ashkenazy and André Previn "can continue to be associated with such practices," has caused fury.

Ashkenazy continued: "The RPO does not have the luxury of three months' work at Glyndebourne, or large financial support from the City of London. It is because the orchestra receives so little public subsidy that it takes on this kind of work."

As the RPO prepares for legal battle, its management would dearly like answers to two questions. How many tickets had actually been sold for the Jerusalem *Nabucco*? And what part did any real London orchestra play in tipping off the producers about the double-booking?

Richard Morrison

Linda Pentz reports from Los Angeles on the David Hockney show, which may be coming to London later this year, and is now the centrepiece of a festival of the British arts

## Almost compleat Hockney

The intention of *UK/LA '88, A Celebration of British Arts* is to focus on innovation and the dazzling David Hockney Retrospective at the Los Angeles County Museum is certainly the star of the festival to date. The comprehensive collection illustrates Hockney's progression in style and use of colour since his move from Great Britain to Los Angeles in 1964.

The focus, however, is not only on the American works, and not only on painting, Hockney's favourite medium, although it does predominate. The photographic collages, photocopies and more recent experiments in theatre design are also included.

The exhibition also reaches back to Hockney's first work — the dark realism of the 1955 "Portrait of My Father", the rainy gloom of "Bolton Junction" (1956) — where browns, greys, deep reds and jaundiced yellows figure largely.

These quickly make way for the brilliant colours of the Californian period, from the mid-Sixties to the present. The artistic influence of the sudden burst of brilliant sunlight and solid blue skies is evident in the dozens of Hockney's works which followed.

The exhibition superbly illustrates this progression from the browns of England, through the clarity and warmth of the Seventies, exemplified by the serenity of "Two Deckchairs — Calvi" (1972), and the simplicity of "Beach Umbrella". We then arrive at the sudden dazzle of the famous swimming pool pictures and scenes from the Hollywood Hills of the late Seventies and early Eighties.



Picasso meets Hockney: detail from the etching "The Artist and Model", 1974

The paintings of 1987 are grouped together and provide the only disappointment. With the exception of the witty and whimsical portraits of "Stanley", Hockney's *Dachshund puppy*, the recent works mark a return to reverential derivation of Picasso portraiture and a vase of flowers that

bears a suspicious resemblance to Van Gogh's "Sunflowers".

These small blemishes, however, do little to detract from the overall splendour of the Retrospective which, above all, delivers a testament to Hockney's supreme accomplishments as an artist in several media. The only

question now remaining is whether the exhibition will move to London, for that scheduled season at the Tate Gallery next October.

Another painter who pays homage to Picasso is the Sunderland-born, Neo-Pop exponent Eric Scott who enjoys a small exhibit of 17 paintings at the Merging One Gallery. Scott juxtaposes present reality with artistic influences of the past, using bright oils superimposed on grey outlines, or pseudo-comic book landscapes.

The almost photographic starkness of Scott's work is framed by bright, spirited figures and amusing anecdotes in "Movement". A young boy wrinkles his nose at the viewer as Rupert Bear offers a posy and is rejected in "Growing Up". A Picasso-style portrait is flanked by another portrait of a Masai tribeswoman in "Two Women".

The works are original, often humorous and, above all, deftly executed. Scott's brush work is polished, and his contents substantive.

William Hogarth, to whom Hockney tips his hat in "Kerby (after Hogarth)", is himself present in an exquisite little exhibition at UCLA's Wight Gallery. "The Rake's Progress", "A Harlot's Progress" and a series, "Gullielmus And The Bruiser", are among the selection of original etchings and engravings displayed. They are accompanied by some enlightening explanations of the satire, which might otherwise be lost on an American audience.

The various events which constitute *UK/LA* are somewhat scattered. But that is the nature of Los Angeles.

## Happy returns

## OPERA

Tosca  
Covent Garden

*Tosca* has been out of the Covent Garden repertoire a mere couple of months. It returns with a brand new trio of principals, new to the season that is, because Grace Bumbury, Giuseppe Giacomini and Kostas Paskalis have all sung in Zeffirelli's production before. Between them they arrive with sackfuls of experience of *Tosca* around the world and it shows in the performance, which has vocal security together with quite a liberal measure of caution when required.

Grace Bumbury looks as though she might be carrying a little more weight around these days, beneath *Tosca*'s heavy costumes — the "leap" from the battlements of Sant' Angelo was distinctly marooned — but she still cuts a distinguished and credible figure on stage. She was openly flirtatious with Cavaradossi in the first act, literally pointing the text as a finger stroked his cheek in warning against kissing before the Madonna.

The same digit commanded that Cavaradossi the painter made the eyes "black ones" on his portrait in progress. Doubtless spurred on by the surtitles, *Tosca* for once got some laughs — and in the right places. But they were certainly wiped away in the final act where Bumbury unleashed some of that famous stage passion of hers.

The voice has made the transition up to soprano reasonably smoothly, although it is the lower register which remains its strength. Grace Bumbury is careful not to put too much pressure on the chords in the upper register, so that one or two notes sound as though scissored away, when they should have been allowed an extra second or two's life. For this reason "Vissi d'arte" did not have its full effect.

Those who favour the *grande dame* *Tosca*, which Sardou certainly created but which Puccini may have adjusted, should hasten to collect this performance.

Nowadays Giuseppe Giac-



Patrician liberal and grande dame: Giacomini and Bumbury

omini is much more of a dramatic Italian tenor — Turiddu and Canio are among his best parts — than a lyric one. Cavaradossi, whether with paintbrush in hand or facing death at dawn, spends quite a lot of time dreaming of *Tosca*. The Giacomini tones are not really sweet enough for these moments and the two arias impressed less than the heroism of Act II and the final exultant duet of Act III. These found Giacomini, excellently made up as a patrician liberal, close to the height of his considerable powers.

The disappointment of the evening was the vocally threadbare Scarpia of Kostas Paskalis. The interpretation is modelled closely on Gobbi, but the Paskalis baritone, on this week's showing, no longer

has the authoritarian rasp to cut through Puccini's admittedly heavy orchestration. The arm gestures came from another era and suggested this Scarpia had spent some years on point duty outside the Palazzo Farnese before rising up through the police force.

James Lockhart, conducting his first Covent Garden *Tosca*, began as though he were doing a routine German provincial evening, content to hold things together, which he did apart from a mishap in the Te Deum. Then he began to inject more spring and drama, leading up to a properly lyrical Act III Prelude, with a notable contribution from the Shepherd Boy, Tony Duffy.

John Higgins

## Scots' cautionary tales

## THEATRE

Checking Out  
CumbernauldState of Confusion  
Theatre Workshop

Marcella Evaristi's wry little two-hander, *Checking Out* was a modest hit at the Lyric Studio, Hammersmith, some four years ago. In so far as it is a cautionary tale about the streets of London being paved only with base metal, it is a pity it has taken until now for a Scottish theatre to pick it up.

Who knows how many impressionable young girls might have looked at the example set by Pauline and Sandra and opted for the less mean streets of Cumbernauld?

Pauline, the slinky and superficially more worldly of the two, ends up as photo-

graphic model and then stripper. Sandra does slightly better as a nanny until her benefactress departs for the States, leaving her as alone in the Smoke as ever.

But the play is as much about how the friendship between this odd couple develops as it is about London. Sandra's apparently naive good-heartedness turns out to have more strength than all Pauline's hustling.

It needs a real rapport between the two actresses to make it work.

Blythe Duff as the unquestionably sexy Pauline and Annette Staines as girl-next-door Sandra carry it off with just the right lightness of touch. They also deliver the witty songs with considerable style and the three-piece on-stage combo which backs them is first-rate.

It is an unpretentious, hard working show which should delight the audiences it is to visit across Central Scotland.

Another more wide-ranging tour set off last week, this time from Edinburgh's Theatre Workshop, where David Kane's *State of Confusion* was premiered. This is a farce which proposes that the Prime Minister has gone mad and has to be shut away in a nursing home beside Cape Wrath.

Cue the fast exits and entrances, the nurse with the big syringe, the sex-mad psychologist, the Desperate Dan bandages and, in this case, a lot of topical references to the NHS, the Poll Tax and so on. You can tell it is set slightly in the future because the Prime Minister is a man.

Mr Kane has won prizes for previous work. I say this in case you should have the misfortune to run into this lame, desperate affair and wonder why anyone should have wanted to put it on.

Robert Dawson Scott

## CONCERT

Music Projects/  
Bernas  
Almeida Theatre

Writing which aspires to the qualities of music does not necessarily stimulate poetic response in a composer.

That of James Joyce, though, has done so extensively and mesmerically, and it was fitting that the last of the three programmes in Music Projects' valuable little series "Text and Music" should turn "All around Joyce".

Before Luciano Berio paid his electronic *omaggio* to Joyce and *Ulysses* in 1958, he had already set three poems from Joyce's *Chamber Music* for soprano, clarinet, cello and harp. The heightened artifice of the voice part is lit by startlingly sensuous instrumental writing, held in perfect equipoise last night by the direction of Richard Bernas.

Jane Manning had seemed more at ease in Dallapiccola's more mellifluous *Tre Poemi*: Joyce, translated by Montale,

a sonnet by Michelangelo, and a lullaby by Machado. Fourteen string and wind soloists, with harp, contributed to the confluence of tone and pitch which distinguishes their sweet, fleeting character.

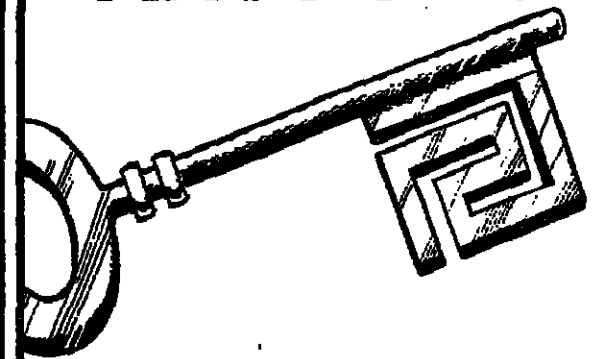
Both the Berio and Dallapiccola delighted in transience; yet each one seemed a *magnus opus* compared with the will-o'-the-wisp inspiration of John Cage and Bill Hopkins in settings of a fragment of *Finnegans Wake* and of two poems respectively.

Jane Manning, who captured precisely the contrasting aspects of the *ley* and the erotic in turn, took a rest at last for the evening's world premiere, and so did Joyce.

The French composer Michael Levinas had written a laconic, yawning and snoring duet called *Clor et Ham* for trombone (Roger Williams) and tuba (David Powell). Dressed as a pair of old vagrants, it was above all Vladimir and Estragon whom they celebrated as they waited and waited until the last roar of the accompanying sound projection left them to sleep.

Hilary Finch

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# TIMES DIARY

ALAN COREN

On Sunday, the house depth-charges me awake at 7am. It is a solid enough house, but the door-knocker far below is being banged with such vigour that I have been blasted from sleep not by noise but by concussion.

What can it be but grim news? This is a copper's knock. Having hit the pit before the children returned last night, and thus having no proof that they have returned at all, I age considerably on the downstairs canteen. There will be two Old Bills on the steps, ensnaring their faces as laid down in the Hendon College guidelines: word will have arrived from Newport Pagnell that my son, last seen jogging at dusk on Finchley Road, has been prised out of a juggernaut's treads; a phone call from the Marseilles nick will have confirmed that my daughter, unable to face the ordeal of GCSE, arrived on the midnight flight and joined the French Foreign ATS.

What is on the step is not two burly ruddy-checked men in blue but one small olive man in a kaffian. He holds a black bin-liner in one hand, and a suitcase in the other. There is about him a distinctly furtive air, and I do not altogether reject the possibility that he belongs to a culture where female adultery is still taken seriously and dealt with accordingly, that his wife is therefore either in the bin-liner or the suitcase (or perhaps both), and that, knowing me to be a hack, he wishes me to represent his shaky case in the public prints.

Before I can speak, he reaches into the bin-liner, but, instead of a foot or a lung, what comes out is a bunch of daffodils.

"For Mother's Day," he explains — if, since I am not his mother, you can call it explanation. He then opens the suitcase, which is full of soap and Black Magic.

I do not, though, bust him in the mouth. How can I, given my political persuasion? The chap has identified a gap in the market. He is an exemplar of the enterprise culture. He has got on his bike. On this, her day of days, surely the Great Mother Of Us All would wholeheartedly approve?

Whether she, however, tuffed out of her Downing Street sack with the moon still up, would meekly have purchased a fistful of flaccid daffodils and wimped back inside, I beg leave to question.

On the morning of M-Day+1, irony's mischievous hand dumps me in the basement of LBC, whither Brian Hayes has invited me to co-host his astringent phone-in. Hermetically sealed into the two-man cubicle and connected to one another only by ear phones, I suddenly fancy, so clichéd is my jaw and so rhythmic my pulse, that we are not honest Gough Square at all, we are ten thousand feet up over the Ruhr, coaxing a stricken Lancaster back to Stradishall, the tailplane in ribbons and the odds on a fried breakfast growing longer by the minute.

In the event, and despite the Skipper's canny hand, the flight was indeed pretty rocky. The irony adumbrated above was ITV's, who chose Mother's Night to transmit *Place of Safety*, a harrowing dramatization of a child-abuse case, uncoincidentally set in Cleveland; and although Brian had earlier assured me that callers would address a wide variety of topics, some of which might merit the frivolous attention for which I had been drafted, nobody, on the morning after, wanted to talk about anything but assaults on children.

I spent a bad hour. It was simple enough at the start to muster glib generalizations about medical zealots, crass bureaucrats, inept procedures, under-funded services, and so on. Tabloid pontification isn't difficult, ask any barrister. It was when the calls started to come in, not from non-combatant wafflers but from actual victims and perpetrators, that inadequacy furred my tongue. Your strains must be pretty dire if you have no one to turn to but a couple of unqualified voices dovetailing their responses between chirpy commercials and traffic bulletins, and as the fraught confessions stuttered through the head-set, I could find nothing to offer them.

Somewhat, the Skipper got us down in one piece. His notorious acerbity masks, perhaps protects, a great depth of humanity and understanding, and I doff my helmet to him. I shall, however, send him a copy of Nathaniel West's *Miss Lonelyhearts*, as a warning of what can happen to you if you stay out there too long.

BARRY FANTONI



Walking back to the *Listener* offices, I paused in the tiny Paddington Street parklet laid over the site, a plaque says of the garret occupied in 1790 by Le Vicomte de Chateaubriand. It doesn't say what he was doing in the garret — he could have been working on his recipe for steak, perhaps — but I was suddenly snatched out of this highly profitable line of wool-gathering by a most curious incident. Well, curious to me, but if I know *Times* correspondents and their ornithomantic little ways, someone is bound to write to me with a smart gloss on the text. Which is that, as I sat there, a tabby cat quietly sleeping on a wonky urn opposite was suddenly strafed by a pigeon. The pigeon came in low, jabbed its beak at the cat's head as it overflew, missed, climbed like an Me 109, turned, and came back out of the trees for a second pass. This time, with the woken cat frenziedly punching the air, the pigeon landed some kind of hit; the cat fled.

Explanations, please, on a postcard.

The spectacle of the Prime Minister and her Chancellor in open conflict over exchange-rate policy has overshadowed a Budget which should have been an unalloyed political triumph.

One fellow minister said of the Prime Minister's "you can't buck the market" intervention at Question Time last week: "It was an astonishing thing to do to Nigel, a man who absolutely commands his field and who is probably the best-equipped economist of all the post-war Chancellors."

Mrs Thatcher picked the wrong man to fight in public. Mr Lawson, half tempted anyway to go off to the City where he can now name his own salary, has the independence to defy her. He has demanded as the price of his continuation an assurance that there will be no more such public interference, and there are signs of a Downing Street row-back. But the whole affair demonstrates both the strengths and weaknesses of an extraordinary Prime Minister.

Never has there been a premier with such relentless energy, so concerned to follow through the detail of policy in every department. If she cannot trust Mr Lawson, after his stewardship of the economy through four Budgets had done so much to ensure her third election victory, then who does she trust? If that is how she treats him, how does she treat those less well

Robin Oakley assesses the Thatcher style in light of the Lawson row

## Why she trusts nobody

equipped to stand up to her? "Many members of this Cabinet," said one minister drily, "are fuelled by high-octane fear." Mrs Thatcher dominates her team as few have done before her. Only Peter Walker and Sir Geoffrey Howe have served in the Cabinet of any other Prime Minister. Only those two and George Younger have served throughout the Thatcher years.

Colleagues say that only Lawson, Howe and Douglas Hurd are heard regularly in the Cabinet putting a distinctive point of view on subjects other than their own speciality. With Lord Whitelaw gone there is no real brake on the prime ministerial instincts. There is certainly no restraint bred of tradition and continuity. "She's like Pol Pot. History for her began in 1979," said one Tory MP who has observed her closely, half in fear, half in admiration.

Harold Wilson was also much inclined at first to interfere in his ministers' work. But by his third term he had mellowed, describing his role as that of the deep-laying centre half, distributing

passes to the team. Mrs Thatcher still insists on playing centre forward, winger and goalkeeper as well, with the referee's whistle clamped between her teeth.

The leaked letter last week from her private secretary to Kenneth Baker, expressing her concern over plans for the testing and assessment of schoolchildren, revealed that she is minutely involved still in the detail of education policy. She has insisted on taking over the co-ordinating role on inner cities, chairing the Cabinet committee which takes the decisions.

To the consternation of her ministers, she has insisted on putting herself at the forefront of efforts to reform the NHS and its funding. If those policies fail now she will not be able to make John Moore the scapegoat — the blame will be pinned firmly on the Downing Street door.

It is a remarkable tribute to the energy of a woman of 62. And it is nothing new. James Prior's life, putting together the trade union policies which in the end proved such a triumph, was bedevilled by Mrs Thatcher's

interference. "Oh, but Jim, I feel so strongly about this," Her Foreign Secretaries have had to grit their teeth and swallow hard, especially in Europe, as months of patient diplomacy have been swept aside by a single swipe of the handbag — only to see her get the results.

Niggles with Nigel Lawson have been constant. Time after time his tax reform plans have been held up because the political gut instinct of the lady next door was pulling in another direction. The present row follows an almost equally bitter dispute with the Treasury before the 1983 election when she refused to let Sir Geoffrey Howe rationalize the system by scrapping mortgage tax relief.

So why does she do it? Has not Mrs Thatcher's insistence before coming to office that there was too much work to be done for them to waste time on internal Cabinet arguments succeeded in grinding down and weeding out all those who were not "one of us"? Are not Cabinet meetings these days shorter and more harmonious than for years? Yes

and yes. So is she then being pushed by the staff of her policy unit at No 10, led by Professor Brian Griffiths? To some extent. But only because that is what she employs them for — to give her the independent advice and briefing to be able to challenge her departmental ministers and the Whitehall machines behind them.

The truth is that Mrs Thatcher has always been an unclimbable outsider on the inside. Quite deliberately, she chooses to be the lump of grit in the government machine. She was so appalled by what the establishment consensus had done to Britain before her time that she acts as the man at the bar in the Conservative Club asking the apparently simple "but why can't we do it?" questions which force ministers to tear up their briefs and go back to uncomfortable basics.

One member of her government summarizes it this way: "She has put the punter at the centre of politics. She is the punter, but with the brains and the briefing to challenge the

toffs." She is also determined at all costs to keep her freedom of manoeuvre, which is what the row with Mr Lawson about exchange rates, interest rates and the EMS is really about.

For Mrs Thatcher there is no security. She is never certain that, without her, ministers would not slip rapidly back into the bad old ways. And, as a Kipling devotee, her recipe for countering that uncertainty is to fill every minute with 60 seconds of distance run.

The result is that so long as she is at the helm the legislative programme will continue fast and furious. Every institution will be challenged. After the unions and the Civil Service come the cosier professions. And the Prime Minister will continue to chivvy, to harry and to interfere with ministers she can never quite trust to do their jobs as well as she feels she could do them. There remains always the fear they might, even the rigorous Mr Lawson, fall prey to Whitehall's consensus ways.

The Prime Minister's bossiness and domination have launched a period of upheaval which has become almost a perpetual revolution. So far it has helped the Tories to win three elections. One day, when the British people have had enough upheaval and decide to settle for a quieter life once again, it may help them to lose one.

Conor Cruise O'Brien

## Double think from Dublin

Charles Haughey said last week that the Irish government is "gravely perturbed at the shooting dead of three unarmed Irish people in circumstances where it appears that they could have been arrested."

But why should three Irish people even be arrested, if all that is known about them is that they are "unarmed"? Mr Haughey, in the gravity of his perturbation, did not want to allude to what the "three unarmed Irish people" are known to have been up to in Gibraltar. That is understandable, because if he had alluded to it, he would have had to say something like this:

"The Irish government is gravely perturbed at the shooting dead of three members of the IRA, who are known to have been in Gibraltar for the purpose of killing a lot of people, but who were not actually armed at the time they were shot."

That might have seemed, to some readers, a rather odd sort of thing for a government to declare itself "gravely perturbed" about. I think it would seem so not only to many people in Britain but to many people in Ireland also, at least if it were put that way. The media in Ireland, and broadcasters in particular, are at least as perturbed, or as excited, as Mr Haughey and his colleagues, in finding themselves on the scent of a "shoot to kill policy" on the part of the British. But I am not sure how many ordinary Irish people share these feelings, or how many would condemn "shoot to kill" by the security forces of the republic, should terrorism again come close to home.

The last time it did come close to home was towards the end of last year when the armed gang of Dessie O'Hare — the media's Border Fox — was on the rampage in the republic, eluding the Gardaí again and again. Finally, O'Hare was seriously



wounded, and a companion killed, in a shoot-out at a roadblock manned by Gardaí who were backed by men of the Irish army. The Gardaí said that O'Hare and/or his companion fired first. One — just one — newspaper report at the time suggested that this was not the case. Today, Irish soldiers in private conversation accept that it was the Irish army that fired first. Nor do the soldiers appear as gravely perturbed about that priority as no doubt they ought to be.

Whatever the facts may have been as to who fired first, there can be no doubt about the state of public opinion at the time. If it had been established that an Irish soldier had fired first, so bringing the O'Hare rampage to an end, most Irish people at the

time would have favoured giving that soldier a medal. Prosecute him? Forget it.

It is true that there are some people on both sides of the Irish Sea who are sincerely and consistently concerned about the implications of the reports from Gibraltar. These people agree that, if it were necessary, in order to save innocent lives from a terrorist "spectacular", to kill the people who were preparing the deed in question, then it was right to kill those people. But was it actually necessary? Since those concerned were unarmed at the time, could they not have been arrested and brought to trial?

It's a good question to put, especially from a distance. The people who are required to make such arrests — whether in the

United Kingdom, in Gibraltar, in the Republic of Ireland or elsewhere — are likely to find that the question is flawed. "Since those concerned were unarmed at the time" contains a loaded assumption. A soldier or policeman approaching a terrorist has no way of knowing whether the terrorist is armed or not, until he — the soldier or policeman — finds out, at his own risk. If he fires first, and the terrorist turns out to be unarmed, the soldier or policeman will be blamed, and perhaps penalized, if he challenges the terrorist, with the view to arresting him, then the terrorist, if armed, may well shoot first and kill his challenger.

Granted the relative magnitude of the two risks involved, soldiers and policemen — what-

ever their nationality — are likely to prefer the first risk to the second, when they know that they are facing terrorists. On the other hand, where there is serious doubt, not only as to whether the suspect is armed, but as to whether he or she is a terrorist at all, only a trigger-happy person would shoot first, and people of that kind should be removed from the security forces. But in the Gibraltar case, the IRA have admitted that the three people shot constituted "an active service unit" engaged on "a mission". Not much room for doubt, there.

No government facing a serious and sustained terrorist threat would be likely to instruct its security forces that they must never, in any circumstances, fire first. "Guidelines" are issued,

which necessarily leave room for individual judgement. But the letter of the guideline is less important than the probable attitude of the authorities, as perceived by the security forces, towards possible breaches of the guidelines. And it seems reasonably clear that the attitude of Her Majesty's Government in relation to these matters has fluctuated significantly during the present decade.

During the early part of the decade government policy was strongly supportive of the security forces; hence the charges about a "shoot to kill policy" supposedly pursued in 1982 in Northern Ireland. Then a perceived need to reach agreement with Dublin, and "end the alienation of the minority" in Northern Ireland, led to stricter restraints on the security forces. Under the Anglo-Irish Agreement, the "shopping list" of the SDLP was for items restricting the scope of the security forces, and so taking the pressure off the IRA. HMG went along to a significant extent.

Then towards the end of 1987 another shift occurred. Rising violence in 1986 and 1987, culminating in the Poppy Day massacre, showed that the Hillsborough policy of eliminating violence through "ending the alienation of the minority" had failed. Against that background, the statement of Sir Patrick Mayhew, the Attorney-General, slamming the door against further inquiries into the events of 1982, had a significance not just for the past but for the future.

Inevitably, the latest shift in policy has strained relations with the republic. This is not necessarily a disaster. Temporarily strained relations may be healthier, not only for Britain but also for the republic, than easier relations which made it easier for the IRA to get away with murder.

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Commentary • DIGBY ANDERSON

## Outlook changeable

Two reports have just been produced on last October's storm, one by the Meteorological Office itself, the other, a review of the Met Office's report, by two "outside" assessors, Sir Peter Swinerton-Dyer and Professor Robert Pearce. This Friday's special edition of the impressive magazine *Weather* is wholly devoted to the storm, and in its first article the Director-General of the Meteorological Office, the man responsible for the first report, tells, and as it were concludes, the tale.

He confirms that there was indeed a storm which caused damage "on a scale greater than any experienced in living memory". This was followed by a media storm in which the ill-informed press hysterically attacked the Met Office's forecasters for failing to warn the public of the force of the winds. They "mercilessly" repeated Mr Michael Fish's forecast that there would not be a hurricane and Bill Giles's "deliberate understatement that it will be breezy up through the Channel". In fact, the Director-General reassures us, the Met Office did rather well and could have done better if it had had more resources. Once he and his staff had explained the true situation, most papers acknowledged their errors and adopted a "more favourable tone".

Later there were two reports. The first, by the Met Office itself, recommended various improvements with long words; more work to "determine optimum parameters for the... models... making the meso-scale model fully operational... (introducing) satellite-borne microwave sounders", that sort of thing and, oh yes, some more

boats and drifting buoys. The second exonerated the Office's forecasters and suggested, as is now de rigueur in any self-respecting report on a public service, more training.

There you see, that's that. Record put straight. Public and press didn't understand. Highly technical business, meteorology. Best left to the experts. Still, no harm done. Official report concludes the affair most satisfactorily. Might even be some additional taxpayers' money to buy those buoys.

In a sense his account is correct. But he should be grateful that the press reacted as it did. Had it been less excited, it might have asked some more awkward questions. These are nothing to do with models and sounders and buoys, or even about the storm, but about something we are very familiar with. It's the Director-General's tone that is the clue. It is a sort of BBC-at-its-worst tone, supremely confident of its authority and irritated at being disturbed by the complaints of ignorant customers. It's the tone of a nationalized industry and a monopoly.

And sure enough that is what the Met Office is. After nine years of Thatcherism it has quietly managed to stay a nationalized near-monopoly. In 1988 we still rely for our information about the weather almost entirely on a single source, and that a nationalized one. The Office not only produces the primary data about the weather but nearly monopolizes the subsequent activities of interpreting and presenting it. It is manufacturer, wholesaler and retailer. The forecasts which appear in most papers and are given by most television stations

are made by the Met Office. The consumer has next to no choice. There are already a few independent forecasters, men such as Philip Eden whose rather reliable forecasts are well known to LBC listeners, or Oceanpost, a subsidiary of an American company, which forecasts for Grampian, Today and Channel 4 also use independent forecasters. But they are few, taking about 3 per cent of total income, because the Met Office's unhealthy dual role as producer and interpreter-presenter of primary information restricts fuller competition. The independents have to seek primary data from elsewhere, mostly the US. It is rumoured that the Met Office has even tried to stop that.

Satellites and computers have provided the technical impetus to improve forecasting; what is now required is the economic stimulus, a new environment in which different forecasts compete and in which their different records can be compared. Then there would be a new accountability: no inquiries and reports, no "media storms", no need for us to confuse the terminology of advanced meteorology to make a complaint, and no place for "that tone". The customers would simply complain, as they do with so many other products whose production involves high technology, by voting with their money, buying the forecasts that were most useful to them. Mrs Thatcher is looking at the parts of the Civil Service which could be privatized. She should start with weather forecasting.

The author is Director of The Special Affairs Unit. The special edition of *Weather* is available from the Royal Meteorological Society, Bracknell (E2).

SCIENCE REPORT

## Sunspot v aerosol

The destruction of the world's natural layer of ozone continues, but not as quickly as some suppose. That seems to be the lesson to be learned from two articles in tomorrow's *Nature*, each based chiefly on data gathered by Earth satellites over the past decade or more.

The ozone layer, in which molecules of oxygen containing three rather than two atoms are unusually abundant, extends upwards from an altitude of 13 miles or so at mid-latitudes. Formed by the interaction of ultraviolet radiation from the Sun and oxygen in the atmosphere, paradoxically it protects people and other animals on the surface of the Earth from damage by ultraviolet radiation.

The resolution of this seeming paradox is that the energy of the ultraviolet radiation needed to produce ozone from ordinary oxygen is greater than the energy of the ultraviolet radiation that ozone absorbs, which is nevertheless enough to produce skin cancer.

At Montreal last November, 38 governments signed a convention to limit, and, in the 1990s, to reduce the production of chemicals known to destroy ozone.

Concern about the ozone layer was first expressed in the early 1970s. Originally it was focused on the effects of supersonic aircraft on the fragile chemical balance of the upper atmosphere, later on the effects of fluorine chemicals used in aerosols and refrigerants. Throughout that time it has been hoped that mea-



surements made by satellites would prove more accurate than ground measurements.

That hope seems to have been disappointed. Donald Heath, formerly a scientist at the US National Aeronautics and Space Administration's Goddard Spaceflight Centre, who was given access to data accumulated by US weather satellites, explains in one *Nature* article that ozone concentrations are decreasing everywhere, but most rapidly in the Southern Hemisphere.

He concludes that the southern decrease in mid-latitudes is about 1 per cent a year. First reports of Heath's analysis to a US congressional committee in 1986 led NASA to set up a committee to investigate his findings, which were gloomier than any existing model of the damage that chemicals might cause to the environment.

This "Ozone Trends Panel" has now reported; a summary of its report by Dr Clive Rodgers, a member of the panel from Oxford University, also appears in *Nature*.

The Nasa committee is much more cautious. One striking feature of its analysis, based on more recent data than that available to Heath, is that the stratospheric concentration of ozone has been increasing.

But the panel is careful to say that this is not because fluorine chemicals in the atmosphere have no effect but because the activity of the Sun is increasing in advance of the maximum of the present sunspot cycle, expected in 1991.

One consequence of that, the Nasa panel says, is that the depletion of Northern Hemisphere ozone will be more rapid once the sunspot maximum has passed than the increase of the past few years. In the Southern Hemisphere, the panel finds, there has been a decrease of ozone in the stratosphere but the rate has been only between a fifth and a third of that described by Heath.

The reasons for these discrepancies seem to lie not in the understanding of the Earth's atmosphere but in the calibration of ground-based and satellite instruments alike. This seems to bear out the experience of the past half century showing that the measurement of ozone in the atmosphere is most uncertain.

JOHN MADDOX

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## THE BUDGET

8 PAGE PULL-OUT SECTION

## Lawson rewarded by revenue boom

By David Smith  
Economics Correspondent

The Chancellor announced tax cuts of nearly £4 billion and a target of a Budget surplus of £3 billion for 1988-89, in a package that underlined the extent of the boom in tax revenues.

The public sector borrowing requirement (PSBR) has been targeted for a repayment, or surplus, of £3 billion, the same as this year's expected out-turn, and the first planned surplus since the early 1950s.

Mr Lawson also set out a new benchmark for government borrowing, which will be for balanced budgets, or zero public sector borrowing requirements, stretching into the medium term.

But in spite of the fiscal prudence implied in the targets for the PSBR, the Achilles heel of the economy, a widening current account deficit, was exposed in the Budget.

Mr Lawson also failed to clarify the position on the pound and monetary policy, after the confusion of the past 10 days.

His commitment that Britain would "play our full part" in the stabilization of exchange rates was regarded as vague and unhelpful after the uncertainties of recent days.

"The dilemma on monetary policy remains," Dr Gerard Lyons, an economist at SBCI Savory Miln, said. "The Budget was disappointing in that it did not deal with exchange rates, and did not address the question of consumer credit."

The Chancellor faced yesterday's Budget with more room for manoeuvre in his tax decisions than any other modern-day holder of his office, and £8 billion more than the Treasury had expected a year ago.

Mr Lawson said: "Some two thirds of this substantial undershoot of the PSBR I set at the time of last year's Budget is the result of the increased tax revenues that have flowed from a buoyant economy, while the remaining third is due to a lower than expected public expenditure, again the outcome of a buoyant economy."

With earnings and consumer spending set to continue strong, a much stronger revenue picture, and lower public sector debt repayment than the £3 billion targeted, could occur.

The principal reason for the healthy borrowing position this year has been the strength of tax revenues. Strong growth in average earnings boosted income tax receipts; buoyant corporate profits and healthy growth in output have swelled Exchequer income from corporation tax; and the consumer spending boom has ensured that VAT and other customs and excise receipts are running ahead strongly.

The benchmark for the public sector borrowing requirement, set at £4 billion or 1 per cent of gross domestic product in the Budget a year ago, has now been shifted to that of a "balanced Budget" or zero PSBR, stretching out into the early 1990s.

"A balanced budget is a valuable discipline for the medium term," the Chancellor said. "It represents security for the present and an investment for the future. Having achieved it, I intend to stick to it. In other words, henceforth a zero PSBR will be the norm."

The Chancellor calculates that the changes will cost the Exchequer £200 million of revenue in 1988-89, reducing the expected proceeds of capital gains tax to a forecast £1,950 million. But this is still £600 million more than the estimated 1987-88 proceeds.

The main impact of the changes will be to switch tax from one group to another. Older people with relatively small incomes but portfolios

of shares or good paintings they have held for many years will benefit. A good deal of property held back for fear of paying tax is now expected to be sold on the markets.

At the other end of the spectrum, high earners who have made money chiefly from recent big rises in property values and shares not affected by the crash will find their capital gains tax liabilities rise if they sell. There will therefore be less incentive to make quick profits on the stock exchange.

There has been a strong campaign to abolish taxation of capital gains altogether, but the Chancellor has strenuously resisted it: apart from losing £1.3 billion a year directly in revenue, that would revive the incentive, which existed before the tax was introduced in 1965, to convert income into capital gains. Abolition of tax on gains

would, therefore, cut the revenue from income tax. There have been provisions since 1982 to reduce capital gains liable to tax by the rise in the retail price index while the assets were held. But that has had two big drawbacks. Gains made before 1982 were not indexed for inflation for tax purposes, and the period from 1972 to 1982 contained the two periods of most rapid inflation. By contrast, in the six years since indexation was introduced, the price index has risen by a much more modest 30 per cent.

Pre-1982 gains were not indexed because it would have been far too complex to do so, since new rules were introduced at the time — for instance, on share pools.

Mr Lawson said yesterday that he had looked again at the possibility of indexing gains back to 1965 but found it was impractical.

## MARRIED COUPLES - ANNUAL FIGURES

Income	Charge for 1987-88		Proposed charge for 1988-89		Reduction in tax after proposed change	
	Income tax (£)	% of total income in tax	Income tax (£)	% of total income in tax	Income tax (£)	As a % of total income
4,000	55	1.4	0	0	55	1.3
5,000	325	6.5	226	4.5	99	1.9
6,000	595	9.9	476	7.9	119	1.9
7,000	865	12.4	726	10.3	139	1.9
8,000	1,135	14.2	976	12.2	159	1.9
9,000	1,405	15.6	1,226	13.6	179	1.9
10,000	1,675	16.8	1,476	14.7	199	1.9
12,000	2,215	18.5	1,976	16.4	239	1.9
14,000	2,755	19.7	2,476	17.6	279	1.9
16,000	3,295	20.6	2,976	18.6	319	1.9
18,000	3,835	21.3	3,476	19.3	359	1.9
20,000	4,375	21.9	3,976	19.8	399	1.9
25,000	6,195	24.8	5,467	21.8	728	2.9
30,000	8,486	28.3	7,467	24.9	1,019	3.3
40,000	13,631	34.1	11,467	28.6	2,164	5.4
50,000	19,381	38.8	15,467	30.9	3,914	7.8
60,000	25,381	42.3	19,467	32.4	5,914	9.8
70,000	31,381	44.8	23,467	33.5	7,914	11.3

Calculations assume that only the husband has earned income.

## SINGLE PERSONS - ANNUAL FIGURES

Income	Charge for 1987-88		Proposed charge for 1988-89		Reduction in tax after proposed change	
	Income tax (£)	% of total income in tax	Income tax (£)	% of total income in tax	Income tax (£)	As a % of total income
3,000	155	5.2	99	3.3	56	1.8
4,000	425	10.6	349	8.7	76	1.9
5,000	695	13.9	599	11.9	96	1.0
6,000	965	15.1	849	14.1	116	1.3
7,000	1,235	17.6	1,099	15.7	136	1.3
8,000	1,505	18.8	1,349	16.8	156	1.3
9,000	1,775	19.7	1,599	17.7	176	1.3
10,000	2,045	20.4	1,849	18.4	196	1.3
12,000	2,585	21.5	2,349	19.5	236	1.3
14,000	3,125	22.3	2,849	20.3	276	1.3
16,000	3,665	22.9	3,349	20.9	316	1.3
18,000	4,205	23.4	3,849	21.3	356	1.3
20,000	4,745	23.7	4,349	21.7	396	1.3
25,000	6,812	27.2	6,063	24.2	749	2.9
30,000	9,170	30.6	8,063	26.8	1,107	3.6
40,000	14,384	36.0	12,063	30.1	2,321	5.8
50,000	20,203	40.4	16,063	32.1	4,140	8.2
60,000	26,203	43.7	20,063	33.4	6,140	10.2
70,000	32,203	46.0	24,063	34.3	7,600	10.8

## PERSONAL TAX ALLOWANCES

	1988-89	1987-88
Single person	2,605	2,425
Married man	4,095	3,795
Wife's earned income allowance	2,065*	2,425
Additional personal allowance		
widow's bereavement allowance	1,490	1,370
Blind persons allowance		540
Age allowance (age 65 or over)		
single	3,180	2,960
married	5,035	4,675
Age allowance (age 80 or over)		
single	3,310	3,070
married	5,205	4,845

\* This is the maximum.

Age allowance is reduced down to personal allowance levels by £1 for every £1 of excess income over £10,600 in 1988-89, £9,800 in 1987-88.

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At the other end of the spectrum, high earners who have made money chiefly from recent big rises in property values and shares not affected by the crash will find their capital gains tax liabilities rise if they sell. There will therefore be less incentive to make quick profits on the stock exchange.

There has been a strong campaign to abolish taxation of capital gains altogether, but the Chancellor has strenuously resisted it: apart from losing £1.3 billion a year directly in revenue, that would revive the incentive, which existed before the tax was introduced in 1965, to convert income into capital gains. Abolition of tax on gains

would, therefore, cut the revenue from income tax. There have been provisions since 1982 to reduce capital gains liable to tax by the rise in the retail price index while the assets were held. But that has had two big drawbacks. Gains made before 1982 were not indexed for inflation for tax purposes, and the period from 1972 to 1982 contained the two periods of most rapid inflation. By contrast, in the six years since indexation was introduced, the price index has risen by a much more modest 30 per cent.

Pre-1982 gains were not indexed because it would have been far too complex to do so, since new rules were introduced at the time — for instance, on share pools.

Mr Lawson said yesterday that he had looked again at the possibility of indexing gains back to 1965 but found it was impractical.

Continued on page 15, col 1

## Watching father set out for work



As his children watch from an upstairs window at No 11 Downing Street, the Chancellor leaves for Parliament yesterday with his wife Therese (Photograph: Tim Bishop).

## Tree planting tax loophole is abolished

By Carol Ferguson

## FORESTRY

The much criticized income tax reliefs on forestry have been abolished. Bowing to the growing clamour of opposition to the current system of tax reliefs, the Chancellor has decided to remove the planting and management of commercial woodlands from the income tax system.

In its place, he proposes to increase planting grants, the details of which will be announced next week. This, he says, will help to achieve a better balance between the planting of broadleaf trees and conifers, and will allow the Government to achieve its forestry objectives with proper regard to the environment.

The measures effectively sound the death-knell for private commercial forestry as it is practised for the purposes of tax avoidance.

Depending on how the grants are structured, the changes are likely to have a big impact on the private forestry companies which have grown on the back of the tax concessions. One of the biggest, Economic Forestry Group, is quoted on the Unlisted Securities Market.

Fountain Forestry, the main operator in the Flow Country, is privately owned, while Tillhill Forestry is owned by Booker.

Opposition to forestry has centred on the tax benefits afforded rich private landowners and investors who have used the system to create valuable coniferous plantations out of income which would otherwise have been paid in tax.

Objectors have argued that many plantations have been established in ecologically sensitive areas and planted without regard to the environment.

The way the tax reliefs were given resulted in a bias towards the planting of fast growing coniferous tree species predominantly from overseas at the expense of slower growing native pine trees and broadleaved species.

## Forestry move backed

By Andrew Morgan

Conservation groups roundly welcomed the Chancellor's announcement that he is ending tax relief through investment in forestry. He is also increasing tree planting grants.

Groups campaigning to stop investment forestry in the Flow Country of northern Scotland were particularly pleased.

Mr Mike Thornton, forestry campaigner for Friends of the Earth Scotland, said: "This is good news and I hope we have now seen the end of investment forestry in Scotland by absentee investors."

They were not interested in growing trees but just to maximize their tax avoidance."

The Chancellor also said that receipts from the sale of trees or felled trees will no longer be liable to tax.

Mr Tim Sands, of the Royal Society for Nature Conservation, said: "We welcome the continued shift towards broad-leaf planting and the closing of the tax loop-hole."

Fountain Forestry, a leading private company, has said it is rubbish to suggest it has no interest in the land.

## Injustice is righted for asset-holders

By Graham Searjeant

Capital gains tax has been completely reformed, with the result that many people will pay more tax, but people who held on to assets through the years of high inflation before 1982 will make big savings.

Until now, there was no relief against inflation before 1982. From now on, capital gains made between 1965, when the tax was introduced, and 1982 will not be liable to tax. Only an increase in price since 1982 will now be taxed if investments or property are sold.

This change was widely expected after a long campaign against the injustice for those who held assets in the worst periods of inflation. In his speech the Chancellor acknowledged that taxing pre-1982 gains was a tax on capital rather than on profits.

But he went much further than expected. Instead of

## CAPITAL GAINS

charging the capital gains tax at a separate flat 30 per cent, he has ruled that in future, tax on capital gains will be levied at the taxpayer's own marginal rate of income tax. The tax rate will therefore rise to 40 per cent for higher rate payers but drop to 25 per cent for standard rate taxpayers.

That follows a similar reform in the United States but creates a much simpler structure.

At the same time, Mr Lawson has reduced the tax-free gains allowance from £6,600 to only £5,000, reversing the previous policy of raising it by more than the rate of inflation. He said he was reducing the rate because it previously compensated for taxation of pre-1982 gains without relief for inflation.

The limit for tax-free gains

had previously risen from £3,000 a year in 1980-81 to £6,600 in 1987-88, with roughly half that level for trusts. Adjusting that limit simply for inflation would have increased it to £6,900 a year.

Married couples owning their property separately will, however, enjoy a higher allowance together since the Chancellor announced a separate allowance for husband and wife as part of his reform of taxation of married people.

The Chancellor calculates that the changes will cost the Exchequer £200 million of revenue in 1988-89, reducing the expected proceeds of capital gains tax to a forecast £1,950 million. But this is still £600 million more than the estimated 1987-88 proceeds.

The main impact of the changes will be to switch tax from one group to another. Older people with relatively small incomes but portfolios

of shares or good paintings they have held for many years will benefit. A good deal of property held back for fear of paying tax is now expected to be sold on the markets.

At the other end of the spectrum, high earners who have made money chiefly from recent big rises in property values and shares not affected by the crash will find their capital gains tax liabilities rise if they sell. There will therefore be less incentive to make quick profits on the stock exchange.

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There have been provisions since 1982 to reduce capital gains liable to tax by the rise in the retail price index while the assets were held. But that has had two big drawbacks.

Gains made before 1982 were not indexed for inflation for tax purposes, and the period from 1972 to 1982 contained the two periods of most rapid inflation. By contrast, in the six years since indexation was introduced, the price index has risen by a much more modest 30 per cent.

Pre-1982 gains were not indexed because it would have been far too complex to do so, since new rules were introduced at the time — for instance, on share pools.

Mr Lawson said yesterday that he had looked again at the possibility of indexing gains back to 1965 but found it was impractical.

## Only crumbs of comfort, say unions

By Roland Rudd,  
Jill Sherman  
and Colin Narbrough

## BUDGET REACTION

ing said the Chancellor had "offered crumbs for nurses on an empty platter for the NHS."

A student nurse would only gain £1.57 a week under the tax cuts and a staff nurse would get £2.57 a week.

Mr Trevor Clay, general secretary of the college, said Mr Lawson's decision to confine tax relief on £30,000 to one person would, because house prices were so high, jeopardize the agreement reached between the Government and the Nationwide Anglia to offer cheap mortgages to nurses.

Under the agreement a number of nurses could have pooled their money and bought a flat together on reduced rates, to get the maximum mortgage relief. "If the Government is serious about helping nurses to afford accommodation it must come up with an alternative to replace this initiative," Mr Clay said.

The Confederation of Health Service Employees said the budget was "a slap in the face of public opinion". Half of all Conservative voters supported the union's call for an extra £2.5 billion for the health service, Mr Hector Mackenzie, the union's general secretary, said.

"Since 1979 the richest 200,000 taxpayers have en-

joyed a massive tax handout of £2 billion; but for the nine million low paid, taxes have driven them further into poverty."

Mr John Edmonds, general secretary of the General, Municipal, Boilermakers and Allied Trades Union, said: "This is Lawson's let down budget. It lets down the majority of British people who want to see a lifeline for the NHS."

Mr Edmonds said Britain was an industrial nation had been "put into hock for the sake of a few pence a week in tax cuts". His union fears that the benefits from tax cuts will go into paying for higher prescription charges, indirect taxes and making up the shortfall in public services and benefits.

Mr John Daly, general secretary of the National and Local Government Officers' Association, attacked the budget for having "the morality of the pig trough where the greedy have shoved the needy aside".

Industry and commerce gave a generally warm welcome to the Chancellor's reforming budget.

Sir David Nickson, president of the Confederation of British Industry, said: "This is the Budget we have been waiting for."

It would help to keep the momentum for economic recovery and boost business confidence. The Chancellor's cautious approach should help

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# Changes in BES mark shift in balance of power

By Lawrence Lever

The Business Expansion Scheme, which gives generous tax breaks to investors in certain types of unquoted companies, has been radically altered by the Budget.

The Chancellor is limiting the amount a BES company can raise to £500,000 in any one tax year. That will sound the death knell for the prospectus issues that have dominated the market, frequently raising £5 million or more for individual BES companies.

Predictably the BES sponsors who have thrived on raising tens of millions of pounds via prospectus issues were bitterly disappointed by the Budget.

"It is a retrograde step", Mr John Dodwell, of Chancery Securities, said.

However, the imposition of a £500,000 ceiling will give more power to the BES funds — pools of money that invest in several companies.

Those have typically invested smaller amounts in several BES companies, but have been overshadowed in recent years by the fund-raising power of individual prospectus BES issues.

Organizations such as Hodgson Martin and Lazard Brothers, which have raised several BES funds, were pleased with the Chancellor's proposals.

Mr Allan Hodgson, of

Hodgson Martin, said: "The Budget proposals reflect a complete change of emphasis. The £500,000 limit will encourage a wider spread of investment and quite rightly block future commercial property-related BES tax shelters."

The Chancellor's amendment has been introduced against a widespread and constant abuse of the spirit of the BES scheme.

That has involved individual property-related com-

## BUSINESS EXPANSION

panies — such as hotels and secured contractors — raising several million pounds.

Mr Dodwell, of Chancery Securities, which specializes in prospectus issues, said he was very disappointed at the new ceiling.

"If you want top-quality management you have to give them a decent pool of money to invest", he said. He also thought the limit would act as a disincentive to investors.

"If you want investors to come in you have got to persuade them that the companies are large enough to float."

The imposition of a ceiling of £500,000 was described as "springing legislation" by Mr Steven Rowe, of BES Investment Research, because it

comes into effect immediately.

The Inland Revenue says the limit applies to all shares issued after Budget day. The effects of that were not fully clear yesterday.

It could mean that BES companies which are currently seeking finance but have not yet raised the £500,000 will be restricted to the limit — even though they might have been seeking to raise far greater finance.

The Chancellor has also extended the scope of the BES to companies specializing in letting residential property on new-style assured tenancy terms. The move was welcomed by the Institute of Housing as "a massive stimulus to the Government's plans to revitalize the private rented sector".

The assured tenancy allows landlords to charge market value rent and contains limited security of occupation for tenants. BES companies specializing in that field will be allowed to raise £5 million.

Moreover, the Chancellor has given the BES funds more time in which to invest their money and still qualify for tax relief.

An unknown effect on the BES will be the reduction of income tax relief to the new maximum rate of 40 per cent. Previously investors qualified for relief at the highest rate of 60 per cent.

# Price at the pumps to rise 5p

By David Young

Energy Correspondent

The rise in duty on petrol prices at a rate higher than inflation means Britain's motorists are still paying less for petrol than drivers on the Continent and considerably less than they were three years ago when Mr Lawson's Budget increase took the pump price to more than £2 a gallon for the first time.

Since then fierce competition on the forecourts and the fall in the world oil price to

## PETROL

less than half its 1985 level — North Sea crude is now changing hands at about \$15 a barrel — have kept prices hovering about 164p a gallon. The lowest price yesterday was 145.5p a gallon in the Manchester area and prices of about 158p were widespread.

The increase in duty will add between 5p and 6p to a gallon. It will mean that most motorists will still be paying less than 170p for a gallon of four star petrol. But the leading oil companies still believe pump prices are not providing an adequate return on refining costs and would like to increase prices further, but they admit that competitive pressure will continue to keep down the price.

The decision not to increase duty on low-lead petrol widens the differential between the two grades of petrol first introduced last year. The oil companies and their trade body, the Petroleum Industry Association, have been arguing that the tax gap should be widened even further if motorists are to be persuaded to use low-lead petrol. They reacted favourably to the Chancellor's move.

At present only 700 filling stations out of the 20,600 countrywide sell low-lead petrol and the rate of expansion is being limited by low demand. The oil companies estimate that only one in every 2,000 motorists is buying low-lead petrol, although about 25 per cent of cars on the roads could be modified to use it.

The industry has asked that any duty increase on low-lead petrol should be delayed for three months after the Budget so that the differential between the two fuels could be further emphasized and a publicity campaign mounted by the companies, but the



Special treatment: widening the tax differential to boost the use of unleaded petrol

Chancellor's decision has met their expectations.

The differential in duty announced in the Budget means unleaded petrol will be about 5p a gallon cheaper than normal four star, where previously the price differential was limited to 0.5p because it cost about 5p a gallon more to produce low-lead petrol.

The oil companies argued that Britain should follow the lead shown on the Continent where taxation has been cut on low-lead petrol to encourage its use. In Denmark the differential is 18p, in Luxembourg 15p, in Switzerland 11p and in West Germany 5p.

Texaco said last night: "While we welcome the fact that there is no rise in the ex-

cise duty on low-lead petrol it is at the bottom end of our expectations. We had hoped the Government would have done more to encourage the use of low-lead petrol. We are also disappointed that the rise in duty on four star is higher than the rate of inflation."

● The road haulage industry estimated that the increase in duty of about 5p on a gallon of duty would add about £55 million to industry's costs (Rodney Cowton writes).

The Freight Transport Association and the Road Haulage Association expressed disappointment at this increase and at the rise in the rate of vehicle excise duty on the heaviest rigid commercial vehicles.

The FTA said the Chancellor's move would raise the price of duty at filling stations from about £1.50 a gallon to about £1.55, and that the increase on the duty was about 2 per cent above the rate of inflation.

The RHA said the increase in duty on duty would add just under 1.5 per cent to average operating costs, while increases in vehicle excise duty for rigid vehicles could amount to an increase of more than 10 per cent for four-axle vehicles of 29 to 30.5 tonnes.

The Chancellor said the aim was to bring treatment of rigid vehicles into line with that of articulated lorries, but the FTA complained that he was "clobbering the workhorses".

# Larger savings on big estates

By Graham Searjeant

Financial Editor

The Chancellor has drastically simplified the inheritance tax for the second year running, cutting the tax payable on a big estate of £10 million by almost £2 million.

He has introduced a single rate of tax at 40 per cent to replace the previous four rates, which ranged from 30 to 60 per cent.

At the same time, he has increased the exemption limit below which tax is not levied from £90,000 to £110,000.

The changes have four effects:

● Up to a quarter of all estates now liable to some tax will be

## INHERITANCE TAX

removed from the net, greatly simplifying administration of small estates.

● No estates will pay more tax, because the raising of the starting point for tax outweighs the increase in the starting rate from 30 to 40 per cent.

● Large estates will pay much less tax, because all rates above 40 per cent have been abolished. Until now, estates of more than £330,000 would have attracted marginal taxation of 60 per cent.

● Where there is special relief, particularly for farmers and small businesses passing on their businesses, the maximum tax rate — at half the nominal rate — will be only 20 per cent.

Savings increase dramatically according to the size of estate. A £250,000 estate with no special reliefs would pay £56,000 inheritance tax after the Budget instead of £62,000, a saving of £6,000. An estate of £500,000 will pay £156,000, saving £48,000, and a £1 million estate pays £356,000, saving £148,000. But the heirs of multi-millionaires are the biggest gainers. Tax on a £10 million estate would be reduced by £1,948,000 to £3,956,000.

The Chancellor estimated that those drastic changes would still only cost £100 million of tax revenue in 1988-89, cutting the revenue from inheritance tax by less than 10 per cent.

In the South-east, in particular, most estates consisting of little more than a house had become liable to tax, which was not the original intention of reform.

An oddity is that the starting rate for tax on quite modest estates will now rise to the highest personal tax rate of all.

The old higher rates of inheritance tax would, however, have looked wholly out of line with the sharply reduced top rates of income tax, making them a sole survivor of past regimes of penal taxation.

Inheritance Tax Rates (£,000)		
Rate	1987-88	New rate
Nil	0-90	0-110
30	90-140	
40	140-220	100+
50	220-330	
60	330+	

Potentially exempt lifetime transfers are taxable at reducing rates on death between 2-7 years from date of gift and exempt thereafter. Non-exempt transfers are taxed at half the nominal rate.

# Measures to help small businesses

By Derek Harris

Industrial Editor

A group of measures to help small businesses brought a broad measure of welcome.

Mr Michael Grylls, chairman of the Smaller Business Bureau, said it was "a shot in the arm for the smaller business" while Mr Stan Mendham, director of the Forum for Private Business, thought the Chancellor had produced "a good entrepreneur's Budget".

The tax burden will be

reduced when a business is sold on retirement.

Capital gains tax retirement relief applies up to £125,000 raised by selling a business but in future half of any gain between £125,000 and £500,000 will also be tax free.

The relief scheme applies to those aged 60 or more and those retiring earlier because of ill-health. Businesses need to have been run for 10 years to get full relief.

Corporation Tax for small companies comes down from

27 to 25 per cent. Businesses with annual profits of up to £100,000 pay the small companies rate. Relief is graded up to an annual profits figure of £500,000 where the full Corporation Tax rate applies.

The Value Added Tax threshold goes up to £22,100 below which a business need not pay the tax.

A reshaped inheritance tax will make it easier for a business to be passed on as a fully going concern to younger members of a family.

At present only 700 filling stations out of the 20,600 countrywide sell low-lead petrol and the rate of expansion is being limited by low demand. The oil companies estimate that only one in every 2,000 motorists is buying low-lead petrol, although about 25 per cent of cars on the roads could be modified to use it.

The industry has asked that any duty increase on low-lead petrol should be delayed for three months after the Budget so that the differential between the two fuels could be further emphasized and a publicity campaign mounted by the companies, but the

# No-one should pay high rate tax *this* year

Over £10 million has already been invested by high rate tax payers in The LASER 1988 Trust — the tax shelter property investment that enables many investors to wipe out their entire high-rate tax liability.

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This investment product is an Enterprise Zone Property Trust. It invests in prime properties in London Docklands and other Enterprise Zones in the South East. All are fully pre-let or have the benefit of long-term rental guarantees.

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If you are paying 50% tax, then you should be seriously thinking about it. If you pay 60% tax and you don't take advantage of the Enterprise Zone tax provisions, there is something wrong with your tax-planning. *Every high rate tax payer should be considering this investment.*

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The opportunity can be best illustrated by showing the cash flow derived at for 60% tax payers is as follows:

Investment	£100,000
Less	
Relief at 60%	56,400
Loan	43,600

NET CASH REQUIREMENTS	NIL
Est. income net of charges	5,150 p.a.*
Loan interest % to 11%	4,800 p.a.
Surplus income	£350

\*Subject to upward-only rent review

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## "So what are my options?"

The options are:

- (1) Pay high rate tax to the Chancellor or
- (2) Invest in LASER, with no cash outlay and own an income-producing property asset, with good growth potential.

By the time you read this you will know what the Budget has done to top rate income tax — but whatever the outcome was, there has never been a better time for investment in a tax shelter like LASER. However, be quick — there is a limited number of LASER units available and investments must be made before the end of the financial year.

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# 'Changes will lead to wider development of fields'

By Our Energy Correspondent

Changes in taxation on oil companies operating in the southern sector of the North Sea and onshore will mean that several projects now considered uneconomic will be developed, according to the City yesterday.

Mr Mark Foster, an oil analyst at SG Warburg, said: "The Chancellor is playing fair with the oil companies. He has removed what some see as a punitive tax and this should lead to several marginal projects coming to fruition. It will be welcomed by the smaller companies in particular. He has removed a tax on wells and replaced it with a tax which will be levied on profits, which is much fairer."

The changes mean that royalty payments being paid on fields which came into

production in the southern sector of the North Sea before 1982 — the tax regime in the central and northern sectors was changed three years ago — will end and that the amount of oil which can be produced during a taxation period before becoming liable for Petroleum Revenue Tax will drop to 100,000 tonnes from 250,000 tonnes.

It means that many of the smaller fields which the Government hopes to be brought into production in the next decade will not be so sensitive to the world oil price as in the past. The changes are a victory for the United Kingdom Offshore Operators Association which has lobbied for the change for the past year.

The Energy Minister, Mr Peter Morrison, said: "The new regime will be much more

responsive to the economics of individual fields."

"Although many recent southern basin fields are highly profitable there are a number of gas projects with marginal economics. The industry will only bring these new fields forward for development if the fiscal climate is right."

"I believe that the industry will recognize that the Government has acted positively."

The Treasury estimates that the North Sea tax changes will result in a loss of revenue of £50 million over the next five years, but that this could be outweighed by the prospect of new fields coming on stream, because of the changes, and by the higher Petroleum Revenue Tax for which they will be liable.

# Spate of takeovers predicted as firms benefit from boost to older properties

By Cliff Feltham

Property shares moved sharply ahead last night as experts predicted a spate of takeovers after the Chancellor's decision to abolish capital gains tax on gains made prior to March 1982.

The move will save companies millions of pounds on tax which would otherwise have been due on some older properties which had risen sharply in value during the inflationary periods of the 1960s and 1970s.

One analyst said: "This will certainly encourage a lot more companies to make takeover bids knowing the capital gains tax liability will now only be payable on gains since 1982."

"It will also encourage companies to put on to the market some of their properties which

will now not suffer the full impact of the tax."

Mr Robert Ringrose and his property team at Phillips & Drew, the stockbrokers, mentioned a clutch of companies which will benefit.

These include giants such as Land Securities and British Land, along with other companies such as Hammerson, Town Centre, Chesterfield, Warnford, and Brixton.

In the stock market, Land Securities jumped 19p to 531p, British Land rose 12p to 290p, Brixton jumped by a similar amount to 280p, Lynton Property rose by 15p to 414p and the Mountleigh Group rose 6p to 174p.

Mr Ringrose estimated that the current capital gains tax

liability for Land Securities would fall as a result of the changes from around 130p a share to 60p a share, a saving worth an estimated £350 million.

Mr Alec Pelmore, property analyst at Morgan Grenfell Securities, was also bullish about the sector's prospects. "I think we can expect to see a lot of older properties start to appear on the market. Curiously, the change will also be good for companies which have not performed all that well since 1982. With the abolition of capital gains tax prior to this date and taking into account their poor performance since then, there will almost be no liability at all."

Mr Peter Oswald, deputy chairman of Savills, the

surveyors and estate agents, said: "The change in capital gains taxation will have a radical effect on the commercial property market and should lead to increased market activity as institutions and established property companies are more able to realize funds that have hitherto been locked away."

He said the logjam experienced over many years would now burst open. He predicted that the six leading property investment companies, which accounted for more than half the value of the sector, would embark on a programme of portfolio reconstruction.

"Capital gains on older buildings can now be realized and reinvested in the remaining assets or new acquisitions."

# Stock Exchange disappointed over stamp duty

By Cliff Feltham

The Stock Exchange was bitterly disappointed at the Chancellor's decision to leave unchanged stamp duty on share transactions. It has waged a long campaign for the abolition of the tax which in one shape or form goes back to the early seventeenth century.

For a long time the City has argued that if the Government is serious about wider share ownership, the abolition of the tax is one of the easiest ways of encouraging it.

However, some City experts had mixed opinions about whether the ending of the tax would do much to stimulate trade which has fallen sharply since the stock market crash last October.

Stamp duty was reduced from the previous level of 1 per cent to the current rate of 0.5 per cent in October 1986, having been halved from 2 per cent in the 1984 Budget.

Latest figures available show that the tax, which is

paid by purchasers of shares, yielded revenue of £852 million for the year ended March 1987.

That compares with a total of £520 million in 1986 and £360 million in 1985.

The Stock Exchange believes that dealing costs are high enough anyway and the ending of the tax would indicate a determination to establish London as one of the world's leading share dealing centres.

Abolition would also end

the advantage that New York has over London as there is no tax on share transactions in the United States.

To avoid dealing costs in London, many institutions have been trading UK equities in the US by using American Depository Receipts.

For many small investors, saving 0.5 per cent on their share purchases is unlikely to make a great deal of difference. But it would mean substantial savings for large institutions.



# EEC duty laws likely to force big price cuts for all drinks

## ALCOHOL

By Derek Harris  
Industrial Editor

There will be large cuts in the prices of alcoholic drinks in Britain by 1992 — when excise duty rates are due to be harmonized within the EEC — if the European proposals are introduced as they now stand.

Although in past Budgets the duty rates on table wines and beer have been brought closer, the biggest decline in duty would be the 88 per cent cut for table wines. Beer duty would come down by 72 per cent, that for port by 70 per cent, for sherry by 65 per cent and spirits by 44 per cent.

Such changes would mean approximately 6p off a pint of beer, 70p off a bottle of table wine, £2.30 off a bottle of whisky, 88p off a bottle of sherry and £1.08 off a bottle of port.

It means there is a case for allowing duty rates between now and 1992 to edge downwards progressively in each intervening year to avoid too big an impact in a single year.

The Chancellor has taken the first step along that road. But there remains the question of whether a strengthening of the anti-alcohol lobby not only in Britain but elsewhere in the EEC could lead to a higher base for harmonization.

Drinks sales during the past



Spirit drinkers won't pay more, beer and wine drinkers will, low alcohol mixes get a boost

year have not been exciting. Brewery production in 1987 rose by only 0.8 per cent with lager increasing its beer market share closer to a half.

Whisky sales have been reported by the trade as dull with other spirits, particularly gin, also lacking growth.

Table and sparkling wines,

including champagnes, have done the best of all drinks, but the latest forecast for all wine sales in 1987 was for a 5 per cent increase at best.

That estimate came from the Wine and Spirit Association which reported falls in consumption of medium strength wines such as sherries

although heavy wines, mostly ports, were showing some signs of recovery.

At the end of October last year table wine sales were about 7 per cent up in comparison with the previous 12 months but trade reports suggest that November and December were weak.

The Scotch Whisky Association welcomed the Chancellor's decision not to increase taxation on spirits.

The Scottish distillers put forward a controversial issue in pre-Budget lobbying that all drinks should be taxed alike according to their alcohol content. Whisky and other spirits have been at a disadvantage in this because the duty charged for each centilitre of pure alcohol has been 8.17p for table wines, 8.6p for beer and 15.77p for spirits.

An adjustment on these lines would mean that if scotch duty remained the same, another 3p would have to go on to a pint of beer, 14p on a bottle of table wine and about 20p on bottles of sherry and port.

The Scotch association sees no change on spirits tax as a "positive step" towards the alcoholic drinks taxation system it has been promoting.

The Wine and Spirit Association had been looking for reductions in real terms of excise duty on spirits but also wanted 10 per cent duty cuts in real terms on the wine categories covering the hard pressed sherries and ports.

It believes the new taxes on wine may cost more than they raise by reducing sales.

ValORIZATION of drinks to take account of inflation in the past year meant adding 1p to a pint of beer and 3p to a bottle of table wine. It would have also added 20p to a bottle of spirits.

food, although many were sold in sweet shops and regarded as confectionery.

United Biscuits, which manufacturers one brand, said last night that it was disappointed by the move.

The 3-4p increase in duty on a packet of 20 cigarettes and the 2p rise in the price of five small cigars, effective from midnight on Thursday, was in line with economic forecasts but brought a stinging reaction from the anti-smoking lobby, including Action on Smoking and Health.

A spokesman for the Pharmaceutical Society of Great Britain, the professional governing body for all 37,000 pharmacists in the country, said that they were "disappointed" that the Chancellor had not imposed higher increases on tobacco duty to discourage cigarette smoking.

The Tobacco Advisory Council said: "A rise on cigarettes only to compensate for inflation seems level-headed and reflects sensible moderation. The benefits of last year's freeze are beginning to show through and the tide of cheap foreign imports is reversing."

The Chancellor's failure to raise taxes significantly on either tobacco or alcohol was strongly condemned by the medical profession last night. The British Medical Association said that Mr Lawson's refusal to take decisive action on the price of cigarettes would lead to an extra 5,000 premature deaths a year.

## COMMENT

### Reforming Chancellor sets tax sights on 20p

The reforming Chancellor is alive and well, and living in Downing Street. And it looks as if he intends to stay there at least long enough to see the basic rate of tax cut to 20 per cent "as soon as we prudently can".

Neither his implied continued tenure of Number Eleven nor the promise to reduce tax at the basic rate from a quarter to a fifth are wild hostages to fortune. He believes he can deliver.

His monologue, interrupted twice by an increasingly anarchistic House of Commons, virtually completes the demolition of the complicated system of personal taxation built up over generations and ushers in one of the most simple systems of income tax in the world.

Yet inflation, on Mr Lawson's own admission, is still too high, and is depending on continuation of a tight, some would say too tight, monetary target. Short-term interest rates, he said, remain the "essential instrument of monetary policy". They will be set at the level necessary to ensure downward pressure on inflation. But, and it is a big "but", if interest rates are to be reduced to keep sterling in check, the target range for narrow money growth of 1 per cent to 5 per cent looks impossibly tight.

But first, the tax reforms. Apart from a couple of greenish measures such as the removal of excise duty increases on unleaded petrol, and the lowering of duty to encourage consumption of low-alcohol beers and coolers, he has pushed further down the road to neutrality.

Even before he had stood up, let alone sat down again, the verdict of the financial markets had been delivered. The FT-SE 100 index was 20 points ahead, gaining in confidence as the day progressed. Sterling was firm against the dollar and still nudging ahead against the mark. The Bank of England stayed out of the market until mid-afternoon. The Chancellor could not deliver a bad Budget, at least not in City terms. He did not disappoint.

Twenty-five pence in the pound was on the cards. It was delivered, and the basic rate of tax, paid by 19 out of every 20 taxpayers, is the lowest since the war.

Reform of husband-and-wife taxation was widely forecast. It has begun and will be completed in 1990.

Some changes in capital gains tax had been expected. All that was expected was delivered, and there will be joy in the stock market at the abolition of tax on gains made prior to 1982. All that

went before, those equities and properties bought as acts of faith in the dark days of the 1970s, is tax-free. The elimination of a special capital gains tax rate in favour of taxation at the taxpayers' marginal rate is sensible.

The expected happy event of a public sector debt repayment target of £3 billion for 1988-89 is in line with the final outcome for the current year. With his final flourish before sitting down, Mr Lawson reminded the House that he had balanced his Budget. Nothing less would have been so enjoyable. The pound edged higher, both against the dollar and the mark. The Bank of England had to admit it was in the market, holding the rate down.

The Budget objective was deliciously simple to analyse, but could have been dangerous to execute. Mr Lawson had to reconcile the conflicting objectives of bringing inflation under control while at the same time redeeming the political pledges of the Government. With a fiscal adjustment of £11 billion, he had much to play with. But equally, with an inflation rate of 3½ per cent, compared with the zero rates of our main competitors, he had much to play for. He may not have liked Mrs Thatcher's clumsy intervention on exchange-rate policy last week, but she was quite correct in one respect: inflation is still an enemy within. Mr Lawson's own forecast is for inflation of 4 per cent.

Yesterday's package underlines the need for an exchange rate policy to continue to take primacy. Sterling made its own comment in late trading, and it may take a base-rate cut to bring the rate back into line. Industry is already screaming, with some justification, that sterling against the mark is already too strong. The rate moves inexorably towards DM3.10, which is thought to be the next stop.

The current level of interest rates is a double negative to industry: its exports are dearer, its money costs higher, and the cost of imported raw materials and oil prices offer mitigation.

Current exchange-rate policy has the potential to drive the country into recession, for it tightens monetary policy without setting targets. So the package is marginally more expansionist than had been expected. That should be happy enough for the gilt-edged market, provided there is no prolonged period of uncertainty as the neighbours fight it out over the garden fence. But it could be grim indeed for ICI.

## New duties give spirit to whisky firms

By Rosemary Unsworth  
and Jill Sherman

The Chancellor's decision to increase excise duties including VAT by 4p for table wine, 6p for fortified wine and 1p on a pint of beer or cider was expected and in line with the rate of inflation.

His deviation from a totally neutral Budget was his decision to leave duty on spirits unchanged, delighting the Scotch Whisky Association. It said the move should boost sales, which need a fillip.

Mr Lawson's announcement that a lower rate of duty will be applied to coolers, the alcoholic mixture of wine, fruit juice and soda that originated in California and was introduced to this country about five years ago, is designed to encourage young people to imbibe weaker drinks.

With an alcohol strength of around 4 to 5 per cent — about the same as strong beer — coolers are less than half the strength of table wine. Fears that Britain's youth is increasingly turning to strong drink is clearly part of the Chancellor's thinking.

Manufacturers welcomed the change, which will also apply to lower-strength beers, due to take place on October 1 as it will enable them to make the product under bond and pay the new lower rate of duty after that.

The Wine and Spirit Association said yesterday that it did not believe the lowering of the

rate of duty would reduce the retail price of coolers despite the Chancellor's reference in his speech to the current inhibition of sales of coolers.

"One of the reasons suggested why coolers have not taken a bigger place in the market is that we have not had a hot summer since they were introduced. Others say they need simply more promotion," it said.

The decision to increase the excise duty by 1p on a pint of beer or cider as forecast was regarded as "not too bad", and welcomed by the Brewers' Society.

"It is the first beer tax increase for three years but is the seventh increase in 10 years. Total tax on a typical pint will now be around 29p-30p. Duty accounts for 19p and VAT 10.5p. In 1979 it was 9.5p."

The society said that the duty arrangements for lower strength beers should include a requirement that those beers are clearly identified as "reduced strength" to distinguish them from normal-strength beers.

A neutral Budget would have meant a 20p increase in duty on spirits but the Chancellor left those unchanged.

The Scotch Whisky Association said: "It will further narrow the differential between duties levied on spirits and those on wine and beer."

"This is in line with the representations we made to the Chancellor and is a pos-

## cigarettes



Extra duty puts 4p on 20 cigarettes, much less than widely expected, but pipe smokers escape without any increase.

itive step along the way towards a system of taxing all alcoholic drinks according to their alcohol content — the only fair and logical way in which to treat them."

The voluntary organization Action against Alcohol Abuse said however: "We are very disappointed that the Chancellor has done nothing for the nation's health with these proposals on alcohol duty."

The association was sceptical about Mr Lawson's gesture of reduced taxes for low-alcohol drinks and said that the Government should have levied much steeper taxes on drinks with exceptionally high alcohol levels such as cider and some lagers.

Mr Lawson's Budget caught cereal bar manufacturers by surprise with his decision to apply VAT to all cereal bars. These had previously escaped the tax by being classed as

## BUDGET DIARY

### Heath's musical chairs

So critical has former Prime Minister Edward Heath been of the present Government that he was yesterday offered a seat on the Opposition benches — but only in jest. He shuffled into the crowded House just 20 minutes before the off and found his usual seat — in a spot just below the gangway reserved for former prime ministers — already occupied by Sir John Begg, Davidson the author, journalist,

### Disengaged

Anyone who thought the new daily stock market report being beamed out by Uri Geller, the famous spoon-bender and psychic, might

provide an insight into what Lawson would tell the House found that inspiration had deserted Geller. The new premium telephone service, launched last week at a peak charge of 38p a minute, was answered yesterday by a voice that glumly repeated: "The service you have dialled is not available and will not be available until further notice". Best stick to cutlery in future, Uri.

### Name-drop

Confusion between the Prime Minister and the Chancellor over exchange rate policy is as nothing, when compared with the confusion that has been arising within Nigel Lawson's private office. One of the members of staff is named Nigel Dawson, and I am told that not a few people have rung through and wrongly assumed that they were talking to the Chancellor.

## Banking on Nigel

Bets were being placed in the Square Mile yesterday on the likelihood of Nigel Lawson, should he decide to leave the political arena, assuming the chairmanship of NatWest Bank. Lord Boardman, the present incumbent, was, after all, brought in as stop-gap chairman when Robin Leigh-Pemberton was called to Threadneedle Street in 1983. Five years on he is still there, but is coming up to his seventieth birthday in January. Mrs Thatcher has, as luck would have it, just confirmed Leigh-Pemberton in the Governor's job at the Bank of England for another term — but whether thanks to Lawson, or despite him, is not clear. Boardman, a former Treasury chief secretary, would, for his part, surely like nothing better than to hand over to the Chancellor. Chief executive Tom Frost and his colleagues at Britain's biggest bank might not, however, be quite so happy. They have cultivated a combination of low profile and manager power that depends on having a non-executive chairman — not a role Lawson could be expected to continue. But whatever their personal feelings they could scarcely refuse the prestige that Britain's most successful post-war Chancellor would bring to the Bank.

After the Chancellor's abolition of dual mortgage tax relief, sinful yuppies at Kleinwort, Grieson, the stockbroker, were, I hear, quick to snub Lawson's speech: "The Mary Whitehouse Budget".

Carel Leonard

## TOBACCO

British products by up to 25p a packet.

Britain's manufacturers have argued that budgetary increases have helped to fuel the buying trend for lower-priced imports.

Last year, when tobacco escaped a taxation increase, the market share of the imports eased back to 9.5 per cent or slightly less.

Until the freeze on duties in the 1987 Budget cigarette sales during this decade had been declining at about 2 per cent a year. But trade estimates suggest that the trend eased in 1987 when the drop was probably at worst 1 per cent and possibly a little less.

Pipe tobacco consumption,

of which a half is accounted for by smokers of 60 years or older, has dropped by a quarter since 1982 in spite of escaping duty increases.

For the past three Budgets cigars have also escaped and sales, which had been declining, rose 2.8 per cent in 1986. Last year industry estimates suggest there was a further increase of about 4 per cent.

In increasing cigarette duties this time the Chancellor seems not to have been much influenced by health lobby arguments. The British Medical Association had called for a rise of 30p on a packet of 20.

Harmonization of duties and tax on tobacco throughout the EEC by 1992 would, as things stand at present, probably mean reductions in Denmark, Britain and the Irish Republic.

## Chancellor let us down, say nurses

Continued from page 13

to contain inflation and lead to lower interest rates and more competitive levels for the pound, fostering enterprise and growth, he said.

The Institution of Civil Engineers "broadly supported" the budget. It said: "We are pleased with the Chancellor's decision to extend the Business Expansion Scheme but we are disappointed that he did not introduce a package of innovative incentive measures to encourage investment in industrial research and development which is needed to safeguard the position of the construction industry in this country."

Dr James McFarlane, director general of the Engineering Employers' Federation, welcomed the Chancellor's concern for exchange rate stability but said he was "disappointed that such a reforming budget overlooks the long-term benefits which would result from the restoration of capital allowances for industrial investment."

The Association of British Chambers of Commerce said Mr Lawson had taken the right path in providing individual incentives and lower personal taxation.

Mr Ron Taylor, director-general, said: "We wanted incentives; we've got them. Now let's make them work."

Retailers welcomed the Chancellor's acceptance of their requests for duty on wines and spirits to be kept within the inflation rate. The

Retail Consortium said it was particularly pleased at the "long overdue" reduction in the rate of duty on "coolers" — low alcohol drinks.

The Institute of Directors, often critical, hailed the Budget as "courageous", and congratulated Mr Lawson on his pledge to take the basic rate of income tax to 20p as soon as prudently possible.

A further cut was "vital" since the Budget had offered little to people on incomes of between £15,000 and £20,000 a year, although it had made major progress in simplifying the tax system, especially by setting a single higher rate of 40 per cent. The institute wants the higher rate abolished next year.

The Child Poverty Action Group said the Chancellor had failed families with children and ignored the unemployed.

"This is a give-away Budget especially for the rich and the better off but next month will see the take-away from the poorest as the changes in the benefit system bite. A more divided Britain is the inevitable result", Miss Fran Bennett, the group's director, said.

Miss Sally Greengross, director of Age Concern England, said: "The Chancellor may have balanced the nation's budget but he has not helped two thirds of pensioners who do not pay tax to balance theirs."

## The hard man loses control

Harold Walker, the deputy Speaker and, in accordance with tradition, the man responsible for ordering during the Budget speech, was dealt a serious blow to his promotion prospects by two fellow members of the Labour Party who caused those unseemly public outbursts. Walker, the MP for Doncaster and Doncaster Central for the past 24 years, had been expected to prove a better manager — he was, after all, once Opposition front bench spokesman on Industrial Relations. And, given that Budget Day is traditionally an opportunity for the deputy Speaker to demonstrate his proficiency, and that the 67-year-old Speaker, Bernard Weatherill, is widely expected to retire before the end of the present Parliament, Walker — described by James Prior, GEC chairman and former cabinet minister as a "hard man" — must be bitterly disappointed by the outcome. For Walker, aged 60, and deputy Speaker since 1983, was, until yesterday at least, considered to be Weatherill's natural successor. "He certainly didn't do himself any good", said one seasoned observer.

According to bookmaker William Hill, the odds on Lawson becoming the next Conservative Party leader have lengthened. Clearly unimpressed by his speech, they shifted the price against him from 6-1 to 8-1. Education Secretary Kenneth Baker is the 11-4 favourite.

## BUDGET DIARY

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## ONE SMOKER'S PACK TO SURVIVE THE BUDGET.

As expected, the price of cigarettes has gone up which may be just the reason you need to give up smoking.

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So save money out of your exchequer by starting with Stoppers — they're readily available in packs of 30 exclusively at your local pharmacy. Stoppers. Accept no substitute — it could save you more than you think.

TRY THEM AND HELP YOURSELF SUCCEED.



## HOW INCOMES CHANGE

## MARRIED COUPLE, NONWORKING WIFE, £30,000 MORTGAGE

	Annual income		£30,000		£40,000		£50,000		£60,000	
	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89
INCOME	20,000	20,000	30,000	30,000	40,000	40,000	50,000	50,000	60,000	60,000
Less tax allowances	4,005	3,735	4,005	3,735	4,005	3,735	4,005	3,735	4,005	3,735
Mortgage interest relief*	3,000	3,675	3,000	3,675	3,000	3,675	3,000	3,675	3,000	3,675
Taxable income	12,995	12,590	22,995	22,590	32,995	32,590	42,995	42,590	52,995	52,590
Tax payable	3,225	3,383	6,287	6,791	10,287	11,648	14,287	15,811	18,287	20,148
N.I. contributions	1,427	1,381	1,427	1,381	1,427	1,381	1,427	1,381	1,427	1,381
TOTAL NET INCOME	15,345	15,236	25,281	24,818	31,281	30,818	37,281	36,818	43,281	42,818

\* Mortgage interest is calculated at 10 per cent for 1987/88, 12% per cent for 1988/89.

MARRIED COUPLE, WORKING WIFE, NO CHILDREN  
£45,000 MORTGAGE

	Annual income		£45,000		£50,000		£55,000		£60,000	
	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89
INCOME	30,000	30,000	40,000	40,000	50,000	50,000	55,000	55,000	60,000	60,000
Less tax allowances	6,700	6,220	6,700	6,220	6,700	6,220	6,700	6,220	6,700	6,220
Mortgage interest relief*	3,000	3,675	3,000	3,675	3,000	3,675	3,000	3,675	3,000	3,675
Taxable income	20,300	20,105	30,300	30,105	40,300	40,105	45,300	45,105	50,300	50,105
Tax payable	5,225	5,715	7,947	8,488	10,287	10,928	12,045	12,686	14,287	15,048
N.I. contributions	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
TOTAL NET INCOME	22,075	21,585	29,653	29,197	37,313	36,813	40,555	40,105	42,813	42,387

\* Mortgage interest is calculated at 10 per cent for 1987/88, 12% per cent for 1988/89. Figures are same for relief ceiling of £30,000. Wife's earnings election is made and based on an equal split of incomes.

MARRIED COUPLE, WORKING WIFE, NO CHILDREN  
£50,000 MORTGAGE

	Annual income		£50,000		£55,000		£60,000		£65,000	
	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89
INCOME	40,000	40,000	50,000	50,000	55,000	55,000	60,000	60,000	65,000	65,000
Less tax allowances	5,210	4,850	5,210	4,850	5,210	4,850	5,210	4,850	5,210	4,850
Mortgage interest relief*	3,000	3,675	3,000	3,675	3,000	3,675	3,000	3,675	3,000	3,675
Taxable income	31,790	31,475	41,790	41,475	46,790	46,475	51,790	51,475	56,790	56,475
Tax payable	7,947	8,488	10,287	10,928	12,045	12,686	14,287	15,048	16,547	17,308
N.I. contributions	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700	2,700
TOTAL NET INCOME	29,143	28,287	38,793	37,847	41,045	40,075	43,793	42,727	47,343	46,467

\* Mortgage interest is calculated at 10 per cent for 1987/88, 12% per cent for 1988/89. Figures are same for relief ceiling of £30,000. Wife's earnings election is made and based on an equal split of incomes.

## SINGLE PARENT, THREE CHILDREN, £10,000 MORTGAGE

	Annual income		£7,500		£10,000		£15,000		£20,000	
	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89	1987-88	1988-89
INCOME	7,500	7,500	10,000	10,000	15,000	15,000	20,000	20,000	25,000	25,000
Less tax allowances	4,005	3,735	4,005	3,735	4,005	3,735	4,005	3,735	4,005	3,735
Mortgage interest relief*	1,000	1,225	1,000	1,225	1,000	1,225	1,000	1,225	1,000	1,225
Taxable income	2,495	2,540	4,995	5,040	9,995	10,040	14,995	15,040	19,995	20,040
Tax payable	601	670	1,226	1,345	2,476	2,695	3,726	4,045	5,276	5,695
N.I. contributions	675	675	900	900	1,350	1,350	2,100	2,100	2,850	2,850
NET INCOME	6,224	6,155	7,874	7,795	11,174	10,995	16,169	15,895	21,869	21,295
Plus child benefit	1,131	1,131	1,131	1,131	1,131	1,131	1,131	1,131	1,131	1,131
TOTAL NET INCOME	7,355	7,286	9,005	8,926	12,305	12,126	17,300	17,026	23,000	22,426

\* These figures could be lower/higher if part of the income is maintenance payments. Mortgage interest calculated at 10 per cent (12% per cent for 1987/88).

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## Wives awarded independent status

By Vivien Goldsmith  
Family Money Editor

Married women have at last been given independent status in relation to personal income and capital tax allowances.

When the reforms are introduced a married woman will get the same personal allowance as her husband but the husband will also get a married man's allowance which can be transferred to his wife if he does not earn enough to use it all.

The Chancellor has taken note of the protests that greeted his original proposals to allow full transferability between husband and wife, so a husband's pay will not be affected adversely if his wife decides to return to work after a career break.

However, the married allowance can be exploited if the husband does not earn enough to use all of his personal allowance plus the extra allowance and the wife earns more than her personal allowance. In these cases the extra allowance can be used to soak up the wife's income.

The Equal Opportunities Com-

mission welcomed this recognition of the independence of married women, but Alan Hart, its chief executive, said: "What is disappointing is that the married man's allowance is being given to the husband, and is then only transferable if he cannot use it. It should have been given to either one of the couple, on an equal basis, for either to transfer to their partner."

The proposed scheme was a great improvement on the proposals in the Green Paper of two years ago which mooted a system of fully transferable allowances that made a married couple more interdependent.

The Chancellor's reform, which will not come into force for another two years, extends to capital taxation as well as income tax.

A married couple now have to share one capital gains tax allowance, but in two years they will have separate allowances, meaning that, for the first time, married women can conduct their own financial affairs with privacy.

In the past, they have been able to have earned income treated separately from that of their husband's, but there has been no such dispensation for unearned income. Married women will pay capital gains tax at their own marginal rate now that capital gains tax rates are to be pegged to marginal income tax rates.

It had been said that the Chancellor would balk at allowing married women their own capital tax allowance because of the opportunities this would give married couples to equalize their fortunes and reduce their tax bill.

However, the reduction in the capital gains tax allowance to £5,000, and the move from a flat rate capital tax to one that reflects the taxpayer's marginal income tax rate, removes these worries. Transfers of capital assets between husband and wife remain free of tax.

It was two years ago that the Chancellor first presented his Green Paper on the reform of personal taxation and proposed a system of transferable personal allowances.

Women were expected to be overjoyed, but instead of being hailed as a liberator, the Chancellor was criticized for pursuing a policy that would serve only to tie women to the kitchen sink. However, the climate of opinion had moved on and the excuse that the Inland Revenue computer would not be able to cope with such a radical change was beginning to run out.

As was pointed out by Jacqui Lait, a representative at the last Conservative conference: even Margaret Thatcher had to get Denis to sign her tax form.

While couples could elect to have their earned income taxed separately, there was no exception for unearned income, so women could not have any investment other than National Savings or Personal Equity Plans, which fall outside the tax system, without telling their husbands.

While the argument that married women should be freed from being mere hazards on their husband's tax form had been won, the detail still needed to be worked out.

The Chancellor had three stated aims: to give married women privacy and independence in both their earned and investment income; to remove discrimination against marriage and the family; and to reduce the tax burden on low income families.

The Government wanted to sweep away the notion that you only received an allowance if you were earning. Instead, it proposed that anyone not working or earning enough to use their full allowance would be able to transfer the unused portion to their spouse, thus sweeping away the married man's allowance and at the same time give the seal of approval to the institution of marriage.

Co-habiting couples would not be able to transfer their allowances, so if one stayed at home or earned less than the allowance, they would be worse off than a married couple.

Criticism of the scheme centred around the interdependence of married couples, particularly the position of women who gave up work to have children.

## Property boom likely as couples move to beat August deadline

## HOME LOANS

By Christopher Warman  
Property Correspondent

The restriction of mortgage tax relief to one person per property from August is likely to lead to a boom in sales to couples in the next four months, the Building Societies Association said yesterday.

From August it will be difficult for single people to afford homes, particularly in London and the South-east.

The Bristol and West Building Society said the restriction would add an extra £18.95 a month for two people sharing a 25-year repayment mortgage of £60,000, and £23.07 a month when an endowment mortgage is shared.

"Although the Budget tax cuts will help offset this extra cost, it will still mean that two or more people sharing the cost of buying a property will find property purchase more difficult in future", Mr Robert Linden, manager of the Bristol and West, said.

"In many cases, sharing a mortgage has replaced shared rented property, and represents an attempt to get on the property ladder in expensive areas."

It is estimated that in 1987-88 a restriction of mortgage interest relief to loans of up to £30,000 a residence would have a direct revenue yield of about £25 million.

Mr David Gilchrist, of the Halifax, said there would then be a tendency for first time buyers to stick where they were. "It will have a slackening effect on the mortgage market altogether, and will make it more difficult in the future for first time buyers."



8.4 million borrowers benefiting from mortgage tax relief.

The Halifax Building Society said the restriction was not unexpected, but predicted that it would lead to a surge in demand among first time buyers before the August deadline.

Mr David Gilchrist, of the Halifax, said there would then be a tendency for first time buyers to stick where they were. "It will have a slackening effect on the mortgage market altogether, and will make it more difficult in the future for first time buyers."

He said that the £60,000 figure now operating for two people was roughly equivalent to the £30,000 maximum of 10 years ago, and added that it was now difficult to buy a house in London and the South-east for less than £60,000.

"There will be the offsetting effect of an increase in real incomes, but the overall effect will be a slowing down in house price inflation towards the end of the year, which we have already pointed to."

man of the Countrywide group of estate agents, a subsidiary of Hambro Countrywide, said the change would not necessarily eliminate people from property ownership, but "might encourage couples to get married, now that there will be no benefit in remaining single".

It would make it more difficult for first time buyers, and therefore could have an effect on prices. "But I feel that demand is such that it will not have much effect."

● The £30,000 limit on mortgage interest tax relief had

held for five years, since it was raised from £25,000, which stood for nine years (Vivien Goldsmith, Family Money Editor, writes).

During that period house prices have climbed by two thirds - from an average £28,690, well below the tax relief ceiling, to £47,700 in the last quarter of 1987, with prices in the South-east rising faster than in the North.

The average mortgage is £29,536, rising to £36,406 for the South-east. In London and the South-east nearly 70 per cent of first-time buyers need a second income to step on to the home ownership ladder.

Half a million people share a mortgage on a quarter of a million properties.

The disincentive to get married and lose a chunk of mortgage interest relief has been considered by the Tories as undermining the position of the family.

That view has been tempered with the need to allow young people to share a mortgage to enable them to afford anything at all - particularly in the South-east.

So it seemed that a move to attach mortgage interest relief to the property rather than the individual might be accompanied by an extension of the £30,000 limit to soften the blow.

Raising the limit would also soften the effect of tax cuts on mortgage payments - as tax rates go down, so tax relief on interest payments also declines.

An individual or couple paying basic rate tax with a £40,000 endowment mortgage would have been paying £273.81 a month on a 10.3 per cent mortgage.

## Fleet dismay over tax doubling

By Daniel Ward  
Motor Industry Correspondent

Tax on company cars is to be doubled from next month because the existing tax charge is a fraction of the true benefit to company car drivers.

The Chancellor said the discrepancy between the tax and the benefit was too great to be allowed to continue.

"An independent study, based on figures supplied by the AA suggest that an employee with a typical company car may be taxed on only about one quarter of its true value", the Chancellor told MPs.

He swept aside previously announced plans for a 10 per cent increase in tax scales for company cars to take effect in April and instead will double the charges.

Critics believe the greatest

## COMPANY CARS

burden of the unexpectedly severe increases will fall mainly on the low-paid who receive a company car for work rather than being given a "perk" car.

"The AA believes the inflationary burden duly placed on the company car driver is excessive given the ratio of business to private use", Mr Simon Dyer, director general of the Automobile Association, commented.

The steep increase, with the cut in basic rate of income tax taken into account, will mean that the driver of a car up to 1.4 litres will pay £5.65 a week compared with the present £3.03.

For drivers of cars with of between 1.4 and 2 litres the increase is from £4.04 a week to £7.54 and for cars over 2

litres the rise is from £5.35 to £11.8 a week. Tax on the fuel benefit is unchanged though experts believe it already over-taxes individuals for their private mileage.

The Society of Motor Manufacturers and Traders said last night that the high taxation on company cars could lead to a swing back to employees buying their own cars and being given a mileage allowance by companies.

Britain has a big company car sector which has been growing strongly in recent years as companies recognized that supplying a "perk" car was a "tax efficient" way of paying employees. Now more than half the British new car market of two million vehicles is accounted for by company purchases.

However, any attack on company cars will have its greatest impact on domestic

car makers which dominate the sector. Ford accounts for almost half the cars sold to large fleets. Company directors driving luxury cars will now be taxed on £4600 of estimated benefit. The society's spokesman said: "The Chancellor's action is as savage as it is unfair and it will be bad for sales, particularly of British cars."

Austin Rover commented: "People will look more closely at the vehicles available before choosing a company car". Drivers are likely to opt for models with smaller engines, particularly at the executive level where there is a significant saving for those driving cars of under two litres.

The Government had considered taxing company-paid car parking. However, the Chancellor said that "taxation of parking would be an administrative nightmare" and it would now be exempt.

## Duke of York allowance up £36,500

By Alan Hamilton

The Duke of York is the main beneficiary of increases in the Royal Family's Civil List announced yesterday.

The Duke's annual allowance for performing his public duties goes up from £30,000 to £66,500, proportionately a larger rise than any other member of the family.

Buckingham Palace said yesterday that the increase was a reflection of the Duke's increasing number of official engagements. In past years his allowance had remained static, and not all of it had been spent, but the money saved thereby had now run out.

The Duke, who also receives a salary as a full-time naval officer, performed 76 official functions in Britain last year, and spent 36 days on

## CIVIL LIST

official business abroad.

Special treatment for the Duke of York makes this year's overall increase in the Civil List 4.6 per cent, compared with 4.5 per cent last year. The Queen and other members of the Royal Family receive increases of 4 per cent. The total payment for the coming year is £5,535,700, compared with £5,289,500 last year.

The Civil List, instituted in 1760 when King George III surrendered to Parliament the income from Crown lands, covers essential expenses incurred by the Royal Family in performing public duties, and is not regarded as a salary.

Three-quarters of the money goes on salaries, and

other related costs of the 350 staff employed by the Royal household. Recent security improvements at Sandringham had not been paid out of the Civil List, the Palace said.

The true cost of the monarchy has been substantially reduced from last year, when the Ministry of Defence spent more than £40 million on two British Aerospace 146 jet aircraft for the Queen's Flight, and £10 million in undertaking a refit for the royal yacht Britannia.

Civil List payments to three junior members of the Royal Family - the Dukes of Gloucester and Kent and Princess Alexandra - totalling £386,000 this year, are refunded to the Treasury by the Queen from her private resources. Without the refund the total cost to the taxpayer would have been £5,922,300.

## THE CIVIL LIST

	1988 (£)
The Queen	4,500,000
The Queen Mother	390,300
Duke of Edinburgh	217,700
Princess Royal	135,600
Duke of York	66,500
Prince Edward	20,000
Princess Margaret	132,100
Princess Alice	63,500
Refunded by The Queen	
Duke of Gloucester	106,300
Duke of Kent	143,500
Princess Alexandra	136,800

The Prince of Wales traditionally does not receive a payment from the Civil List, and relies instead on his income from Duchy of Cornwall, which in the last financial year yielded him £1.3 million after he had repaid a quarter of the gross revenue to the Treasury in lieu of income tax.

## New limit fails to convince managers

## EQUITY PLANS

By Richard Thomson  
Banking Correspondent

The Chancellor bowed to pressure from fund managers by raising the maximum annual investment limit on Personal Equity Plans by £500, from £2,400 to £2,900. The increase is applicable to plans opened this year.</



# Delight with a twinge of unease

## FAMILIES REACTION

By Ruth Gledhill  
and Howard Foster

The Times last night interviewed a range of families and individuals to see how the Budget will affect their lives and incomes.

Mr Charles Lissack, aged 28, is a partner in Beaham and Reeves, estate agents. He earns well over £100,000 a year and has a £70,000 mortgage on his Georgian town house in Parliament Hill, north-west London, where he lives with his wife, Johanna, and two children.

He does not smoke but his wife does, and they both drink occasionally. His company car is a BMW 731. The preparatory school fees for his eldest child, Victoria, aged five, are £1500 a year and private nursery school for his youngest, Jessica, aged three, costs him £1250.

"The change in the top rate tax is the most dramatic piece of news I could have hoped for," Mr Lissack said. "The Budget is the most radical I can remember. But I do wonder whether he has gone a little further than required."

"It is a bit like winning the pools and thinking about the man around the corner with nothing. If it had gone down to 50p we would have been more than happy, and maybe the National Health Service could have had the extra 10p."

"We will certainly gain a lot financially and the effect on the property market is bound to be very positive as a result. The income tax change will counteract the effect of the changes in the mortgage taking, although those changes may have an impact on the lower end of the market."

"The change in the company car tax scales has also wiped the smile off my face. I think he has gone further than he needed, and wonder whether this Budget will not be more divisive than otherwise."

Miss Rebecca Mailey, aged 24, a ward sister at the Whips Cross Hospital in Leytonstone, east London, pays £140 a month rent on a flat and earns £9,000 basic rate. She pays £170 a month income tax and the Budget tax changes will give her about £4 a week extra.

"I will send it straight back to the Chancellor every week and tell him to put it into the National Health Service where it will do more good," she said. "I am disgusted."

"It is quite dreadful that there was nothing for the NHS. Compared with the health service, my personal need is not that great. The main effect of this will be to make health workers more angry than they are already."

Miss Jane Sayer, aged 22, is looking for a flat to buy with a friend. She is an assistant merchandiser with



Mr and Mrs Brockley and their children: welcome for radical tax changes, unhappy at no change in mortgage tax relief.



Mr and Mrs Gribben and their family: they would prefer that money was injected into the health service.

Debenhams on a salary of £9,500, and was, with her friend, hoping to take advantage of the pre-Budget opportunities for both to obtain mortgage tax relief on the purchase of one property.

To do this now, they will have to find a flat to buy before August. Miss Sayer's only relief is that the deadline is not sooner, as she feared it might be. "We have certainly got to try and exchange before then. This change will make a difference of about £1,000 a year and my finances are stretched as it is."

"The drop in income tax

and increase in personal allowance is good news, but the Chancellor is giving with one hand and taking away with the other. It is swings and roundabouts. I wish he could have been more generous with those of us in lower income brackets."

Mr Christopher Brockley is a dentist who lives with his wife, Sally, and their four children in a four-bedroom detached house near Horsham in Sussex. He has one surgery at home and another at Great Bookham in Surrey.

Mr Brockley earns £25,000

a year and the business pays his wife £2,200 a year to work from home as a receptionist. The family's Audi Quattro is also owned by the business. Covenants help to pay the £8,500 school fees and the house is mortgaged to £30,000. His first action yesterday was to fill his car with petrol.

"My wife will now get a wage increase to £2,600. The changes in the tax allowances for married people has pleased her. She will be taxed on her own and we can move my allowances around."

"I was sorry he did not

increase the mortgage tax allowance above £30,000. And I do not think he taxed tobacco enough. It seems strange that there was nothing on spirits. I drink spirits, but it does not seem fair to exclude them and tax all the others."

"I was also upset that he

reduced capital gains on share transactions, as I dabble in shares to help pay the school fees. The radical tax changes will benefit my family and I a lot and the covenants will not be greatly affected because they all have six years to go."

Mr Harry Walton, his wife, Ruth, and their two children, Louise, aged nine, and Samuel, aged 20 months, live in a three-bedroom semi-detached house at Selsey, a fishing village in West Sussex, with a mortgage of £30,457.64. Their income is made up of his salary of £18,053 plus £14.50 a week family allowance. Louise is educated at the nearest state school.

Mr Walton, aged 35, recently found work as a seismic surveyor with the Norwegian oil company, Gecco, after 16 months of unemployment when he and his family lived on a Manpower Services Commission grant and supplementary benefit. They own a car, neither smokes and they rarely drink.

"The increase in the basic rate income tax threshold will make some difference to my husband, although a pay rise would take him over it again. Thank God he is working this year. Last year we were so poor that any small thing that helps today is gratefully received. We did not expect much from the Budget and it does not seem to change much for us at first glance."

Shaun and Maureen Gribben, both aged 31, have two sons, Jonathan, aged four, who attends the local authority day nursery, and Daniel, aged 12 months, who is cared for by his mother.

Mrs Gribben smokes an occasional cigarette, although Mr Gribben is a non-smoker. They do little entertaining at home, a three-bedroom post-war semi-detached house valued at about £43,000, and both enjoy an active social life. They do not own a car and are paying off a 25-year mortgage.

Mrs Gribben, a former bank worker, has a part-time job in retailing and Mr Gribben is employed as a buyer by an American-owned light engineering firm based on Wealdside.

"Everyone expected it to be a Budget for the rich, and that is what it is," Mr Gribben said. "I am surprised he did not mention the NHS. The tax concession to us as not that great. At the end of the day, 2p will not make that much difference to me."

"I still cannot believe the change in the high tax bracket taxation. Compared with the high earners, we will not be much better off at all. I would far rather have seen the money go to the NHS."

## HOW INCOMES CHANGE

### MARRIED COUPLE, WORKING WIFE, TWO CHILDREN £40,000 MORTGAGE

	£25,000	£30,000	£35,000	£40,000	£45,000
1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88
INCOME	25,000	30,000	35,000	40,000	45,000
Less tax allowances	6,700	6,220	6,700	6,220	6,700
Mortgage interest relief*	3,000	3,675	3,000	3,675	3,000
Taxable income	15,300	15,105	20,300	20,105	25,300
Tax payable †	3,825	4,078	5,225	5,715	7,225
N.I. contributions ‡	2,250	2,250	2,250	2,250	2,250
NET INCOME	18,925	18,772	22,825	22,135	25,825
Plus child benefit	754	754	754	754	754
TOTAL NET INCOME	19,679	19,526	23,579	22,889	26,579

\* Mortgage interest calculated at 10 per cent for 1988-89, (12% per cent for 1987-88). † These figures could be lower, depending on the level of wife's earnings and whether she pays full N.I. contributions. ‡ No wife's earnings election.

### MARRIED COUPLE, WORKING WIFE, TWO CHILDREN £50,000 MORTGAGE

	£45,000	£50,000	£55,000	£60,000	£65,000
1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88
INCOME	45,000	50,000	55,000	60,000	65,000
Less tax allowances	5,210	4,850	5,210	4,850	5,210
Mortgage interest relief*	3,000	3,675	3,000	3,675	3,000
Taxable income	36,790	41,475	46,790	51,475	56,790
Tax payable †	9,287	10,131	12,926	14,220	16,982
N.I. contributions ‡	2,655	2,655	2,655	2,655	2,655
NET INCOME	32,858	32,108	38,219	38,019	41,219
Plus child benefit	754	754	754	754	754
TOTAL NET INCOME	33,612	32,862	38,973	38,773	41,973

\* Mortgage interest calculated at 10 per cent for 1988-89, (12% per cent for 1987-88).

### SINGLE PERSON, £20,000 MORTGAGE

	£5,000	£10,000	£15,000	£20,000	£25,000
1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88
INCOME	6,000	10,000	15,000	20,000	25,000
Less tax allowances	2,605	2,425	2,605	2,425	2,605
Mortgage interest relief*	2,000	2,450	2,000	2,450	2,000
Taxable income	1,395	5,125	9,395	5,125	10,395
Tax payable †	349	304	1,349	1,384	2,534
N.I. contributions ‡	540	540	900	900	1,350
TOTAL NET INCOME	5,111	5,156	7,751	7,716	10,916

\* Mortgage interest is calculated at 10 per cent for 1988-89, (12% per cent for 1987-88).

### SINGLE PERSON, £35,000 MORTGAGE

	£20,000	£25,000	£30,000	£35,000	£40,000
1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88
INCOME	20,000	25,000	30,000	35,000	40,000
Less tax allowances	2,605	2,425	2,605	2,425	2,605
Mortgage interest relief*	3,000	3,675	3,000	3,675	3,000
Taxable income	14,395	19,950	24,395	29,950	34,395
Tax payable †	3,599	3,783	4,863	5,233	6,863
N.I. contributions ‡	1,427	1,381	1,427	1,381	1,427
TOTAL NET INCOME	14,374	14,866	18,105	18,336	21,105

\* Mortgage interest is calculated at 10 per cent for 1988-89, (12% per cent for 1987-88).

### COUPLE OVER 65, NO MORTGAGE

	£7,500	£10,000	£15,000	£20,000	£25,000
1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88	1988-89 1987-88
INCOME	7,500	10,000	15,000	20,000	25,000
Less tax allowances	5,035	4,675	5,035	4,675	5,035
Taxable income	2,465	5,325	9,965	15,325	19,965
Tax payable †	616	763	1,241	1,474	2,726
TOTAL NET INCOME	6,884	6,737	8,759	8,526	12,274

\* This is reduced by £2 for every £3 of income over £10,000 (1988-89), £9,900 (1987-88) down to married man's relief level.

These figures do not take account of the tax free increase in retirement benefits.

## Fears as covenant relief is cut

### CHARITIES

Charities were last night predicting a drive to increase giving from the public to make up for the amounts to be lost through reductions in relief on covenanted donations.

The Inland Revenue estimates that in the current financial year it will pay out £150 million in tax relief on covenanted payments to charities by individuals and businesses. A reduction in the basic rate of 25 per cent would reduce this by a little over £11 million to £138.9 million.

Higher rate taxpayers can receive relief at their top rate, now 40 per cent, through covenants to charity but the charities only receive the basic rate relief available to them.

The margin between the basic rate and the higher rate is returned to the individual making the covenant. Relief on money covenanted by companies is given at the basic rate of income tax.

Covenanted donations

form a relatively small proportion of the total amount given to charities each year, an estimated £2 billion. But for organizations whose budgets are finely balanced and whose resources are stretched, the effects can be quite marked.

The National Trust which, with its 1.5 million members is one of the largest charities in Britain, estimates that the 2p

reduction in tax will cost it £400,000. Sixty per cent of the trust's membership subscriptions come from covenants.

Mr Brian Lang, director of public affairs for the trust, says that the money must be made up in other ways. "People will have more disposable income in their pockets. It is up to us to try to get a share of that."

Mr Richard Radcliffe, director of external affairs for the Charities Aid Foundation, which arranges covenants for individuals and businesses said his organization would campaign vigorously to encourage people to spend some of their increased disposable income on charities.

He welcomed the doubling

of the amount which can be given by employees each year through the payroll-giving scheme from £120 to £240. This scheme was announced in the 1986 Budget and was started last year. Employees receive tax relief on their gifts which are taken from their pay before tax is levied.

Because of the way relief is given in this scheme, charities will not be direct losers through the reductions in tax rates. It will cost employees slightly more to make their gifts, however, unless they reduce the gross amounts they pay. At a basic rate of 25 per cent the extra amount involved to give the current maximum of £120 is £2.40 a year.

Mrs Sheila Naybour, spokesman for the National Confederation of Parent Teacher Associations, described the announcement as bad news for parents and was unimpressed by the promise of new scales of parental contributions.

She said: "Thousands of ordinary middle income parents are now having to pay the full parental contribution and for them tax relief has been a lifeline."

"There is a real danger that we will reach a situation where parents may simply not be able to afford to send their children to university or polytechnic."

## Parents' support may be discouraged

By Sarah Thompson,  
Education Reporter

### STUDENT COVENANTS

The removal of tax relief from covenants made by parents to their student offspring will cause "more widespread hardship" and will hit the middle and upper income bracket families hardest, said the National Union of Students yesterday.

The union said: "It is a puzzling move. It will actively discourage parents from helping to support their children at college."

The move saves the Treasury £150 million a year in tax relief to an estimated 270,000 students.

Today Mr Kenneth Baker, Secretary for Education and

Science, is to announce "compensatory" changes in the student grant scales.

However he is not likely to announce changes that totally cushion the effect of abolition for students whose parents can afford to take full advantage of the present system, or to help the small number of students who receive no grant because they have been refused discretionary (as opposed to mandatory) grants by local authorities.

Presently parents can get tax relief at the basic rate if they covenant annual sums up to the equivalent of the personal allowance of £2,420 - well in

excess of the maximum grant of £1,972 for an undergraduate outside London and £2,330 for an undergraduate in London.

Mr Lawson told the Commons that the system of tax relief on covenants was an unintended by-product of the reduction in 1970 of the legal age of majority from 21 to 18.

Parents who have already made covenants will not lose their tax relief, he said. But many whose offspring are planning to go to college in September or later may be as angry as those who protested successfully against Sir Keith

Joseph's ill-starred attempt to make them pay some tutorial fees in 1984.

Mrs Sheila Naybour, spokesman for the National Confederation of Parent Teacher Associations, described the announcement as bad news for parents and was unimpressed by the promise of new scales of parental contributions.

She said: "Thousands of ordinary middle income parents are now having to pay the full parental contribution and for them tax relief has been a lifeline."

"There is a real danger that we will reach a situation where parents may simply not be able to afford to send their children to university or polytechnic."

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# First balanced Budget since 1950s, says Lawson

The Chancellor of the Exchequer, Mr Nigel Lawson, said in his Budget statement:

I am reliably informed that my Budget speech last year was the shortest this century.

My Budget speech this year is likely to have a different claim to a place in the history books. Not, as the longest Budget speech this century, but as the last untelevised Budget speech (laughter).

As I once again present the first Budget of a new Parliament, the British economy is stronger than at any time since the war.

As the British people recognized last June, this has not happened by chance. It has happened because, for almost nine years now, we have followed the right policies and stuck to them. I reaffirm these policies today. In particular, there will be no letting up in our determination to defeat inflation.

## FINANCES

### The economic background

I shall begin, as usual, with the economic background to the Budget. I shall then deal with monetary policy, and with the public finances this year and next, and indeed for the remainder of this Parliament.

Finally, I shall propose a number of measures designed to improve the performance of the economy still further, by strengthening the structure of taxation. For this will be a tax reform Budget — (Conservative cheers).

As usual, the Financial Statement and Budget Report, together with a number of press releases filling out the details of my tax proposals, will be available (to MPs) at the Vote Office as soon as I have sat down.

The strength and durability of the economic upswing has now exceeded all postwar records. We are about to enter our eighth successive year of sustained growth, and the sixth in which this has been combined with low inflation. And even without looking to 1988, the six years to 1987 have been the longest period of steady growth, at a rate averaging 3 per cent a year, for half a century.

This performance compares favourably not only with our own past, but also with the economic performance of other countries. During the 1960s and the 1970s, Britain's growth rate was the lowest of all the major European economies. During the 1980s, our growth rate has been the highest of all the major European economies.

In 1987, a whole output grew by getting on for 4.5 per cent, rather more than the rate of inflation, which averaged 4.2 per cent. At the same time unemployment fell faster than in any other year since the war, in every region of the country, and more than in any other major nation.

The plain fact is that the British economy has been transformed. Prudent financial policies have given business and industry the confidence to expand, while supply-side reforms have progressively removed the barriers to enterprise.

Nowhere has this transformation been more marked than in manufacturing, where output rose last year by 5.5 per cent. This outstanding performance was founded on a further big improvement in productivity.

In the 1980s, output per head in manufacturing has gone up faster in Britain than in any other major industrial country, and we led the way once again last year. This is in stark contrast to the 1960s and 1970s, when in the growth of manufacturing productivity, as in so much else, we were bottom of the league.

The current account of the balance of payments is now estimated to have been in deficit last year by a little over £1½ billion, after seven successive years of surplus. This is well below the deficit forecast at the time of last year's Budget, despite growth turning out stronger than forecast.

The reason for the smaller deficit was, beyond the expected performance of visible trade, by exports of manufactures up by 8.5 per cent. This continues the consistent trend of the 1980s, with British manufacturers maintaining their share of an expanding world trade — the crucial test of competitiveness — after decades during which Britain's share was steadily declining.

## INVESTMENT

### Another year of growth

Looking ahead, I expect 1988 to be yet another year of healthy growth with low inflation; and there is every prospect that unemployment will continue to fall, although probably not as rapidly as last year.

The pace of non-oil growth is likely to ease from now on, returning to the underlying trend of the past few years. Output for 1988 as a whole is forecast to be 3 per cent higher than in 1987, with the non-oil economy up by 3.5 per cent. Business investment is forecast to grow particularly strongly, with a rise of 9 per cent.

As last year, inflation is forecast to end the year at 4 per cent. While this is still too high, it is a testimony to the soundness of our policies that the present strong and sustained upswing, unlike almost all its

predecessors, has not led to a resurgence of inflation — (Conservative cheers).

With growth in the UK economy likely to continue to outpace that of most other major countries, particularly in continental Europe, and with our oil surplus falling as North Sea oil production declines, the current account of the balance of payments is forecast to remain in deficit this year, by some £4 billion, equivalent to less than 1 per cent of GDP.

Given the strength of the economy in general, and of our public finances in particular, not to mention our massive net overseas assets, I foresee no difficulty in financing a temporary current account deficit of this scale.

But the outlook both for exports and for jobs will depend critically on employers keeping their costs firmly under control. Unit labour costs in manufacturing have risen at all in 1987. It is vital that employers do not let this slip, and keep a tight grip on all their costs, not least pay.

In my Budget speech last year, I warned that:

"Given the continuation of present policies in this country, the biggest risk to the excellent prospect I have outlined is that of a downturn in the world economy as a whole."

That remains the case. The dramatic collapse in the world's equity markets last October was not the second coming of 1929 and the hangover of a 1930s-style world slump, as so many feared at the time — although it could have been a great deal nastier had the authorities in the major nations not responded in a prompt and appropriate way. It was essentially an overdue market correction, which did little more than reverse the rapid rise in share prices of the previous year. Certainly, business confidence does not seem to have been greatly affected, and growth in the seven major industrial countries as a whole is likely to be only slightly lower than last year.

But Black Monday was also a warning. The world's three largest economies — the United States, Japan and Germany — have made a number of the policy adjustments necessary to reduce the imbalances which have for so long afflicted them, and there is evidence that the measures taken have taken are starting to bear fruit. But there is still a long way to go; and meanwhile there is the constant danger that the process of adjustment, and with it the world economy as a whole, could be gravely damaged either by a further fall in the dollar exchange rate or by a lurch into protectionism.

Success in reducing these imbalances depends on countries putting the right fiscal and monetary policies in place, and keeping them there. But the necessary adjustments are much more likely to be achieved if the objective of greater exchange rate stability is given an explicit role in the process of international co-operation, as has been the case for well over two years now. I can assure the House that we shall continue to play our full part — (Labour laughter).

## MONEY POLICY

### Discipline maintained

Meanwhile, the maintenance of sound money and prudent public finances will keep us in the best possible position to weather any storms we may face, either at home or abroad.

The Medium-Term Financial Strategy, now entering its ninth year, will continue to provide the framework for reducing the growth of money GDP, and hence inflation, over the medium term. These will be achieved by maintaining firm monetary discipline, buttressed by a prudent fiscal stance.

Achieving the gradual eradication of inflation requires a steady reduction in monetary growth in the medium term. While I shall continue to take account of broad money, or liquidity, financed by revenues, there will be no explicit target (Labour laughter). For narrow money, M0, the target range for 1988-89 will be 1.5 per cent, as forecast in last year's MTFS.

Short-term interest rates remain the essential instrument of monetary policy. Within a continuous and comprehensive assessment of monetary conditions, I will continue to set interest rates at the level necessary to ensure downward pressure on inflation.

Exchange rates play a central role in domestic monetary decisions, as well as in international policy co-operation. I believe that most businessmen have welcomed the greater exchange rate stability over the past year. It is important that they also accept the financial discipline inherent in this policy.

As I pointed out a moment ago, a sound monetary policy needs to be buttressed by a prudent fiscal stance.

At one time, it was regarded as the hallmark of good government to maintain a balanced budget; to ensure that, in time of peace, government spending was fully financed by revenues from taxation, with no need for government borrowing. Over the years, this simple and beneficent rule was increasingly disregarded, culminating in the catastrophe of 1975-76, when the last Labour Government had a Budget deficit, or public sector borrowing requirement, equivalent to today's terms to some £40 billion.

This profligacy not only brought economic disaster and the national humiliation of bail-out by the IMF. It also

added massively to the burden of debt interest, not merely now but for generations to come.

Thus one of our main objectives, when we first took office in 1979, was to bring down government borrowing. We steadily reduced the public sector borrowing requirement from the 5.25 per cent of GDP we inherited to only 0.75 per cent in 1986-87.

## BORROWING

### Public debt repayment

Today I am able to tell the House that in 1987-88, the year now ending, we are set to secure something previously achieved only on one isolated occasion since the beginning of the 1950s: a balanced budget — (Conservative cheers). Indeed, we have gone even further. It looks as if the final outcome for 1987-88 will be a Budget surplus of £3 billion.

Instead of a PSBR, a PSDR: not a public sector borrowing requirement, but a public sector debt repayment.

And, incidentally, even if there had been no privatization proceeds at all, the resulting PSBR, at 0.5 per cent of GDP, would still have been the lowest in all but one year since the beginning of the 1950s.

Some two thirds of this substantial undershoot of the PSBR, I set at the time of last year's Budget is the result of the increased tax revenues that have flowed from a buoyant economy, while the remaining third is due to lower than expected public expenditure, again the outcome of a buoyant economy. Less in benefits for the unemployed, higher receipts from council house sales, and improved trading performance by the nationalized industries.

A balanced Budget is a valuable discipline for the medium term. It represents security for the present and an investment for the future. Having achieved it, I intend to stick to it — (Conservative cheers). In other words, henceforth a zero PSBR will be the norm. This provides a clear and simple rule, with a good historical pedigree.

In the very nature of things, there are bound to be fluctuations on either side of year to year. It is in this context that I have to set the precise fiscal stance for the year ahead, 1988-89.

I have already announced, in the Autumn Statement last November, a £2.5 billion increase in public expenditure plans for 1988-89, with resources allocated to programmes up by over £4.5 billion. This means that over the coming year we will be spending at least £1,100 million more on health than in the year now ending, at least £900 million more on education, and at least £500 million more on law and order.

These large increases in public expenditure programmes for the coming year will be financed partly from the saving in debt interest resulting from the reduction in government borrowing. Debt interest payments now account for about three quarters of a percentage point less of GDP than they did only three years ago. This may not sound very much, but it implies a saving of some £3 billion a year. And the balanced-Budget path I have set out in this year's MTFS will help to reduce debt interest payments still further.

We have thus secured an enviable virtuous circle in public finance: lower borrowing and lower tax rates create both the scope and the incentive for the private sector to expand. And the private sector then generates higher revenues which permit further reductions in borrowing or tax.

But even so, the increased public spending now planned for 1988-89 inevitably implies less scope for reducing taxation. Moreover, I have decided that for the year immediately ahead, the path of prudence and caution is to budget for a further surplus of the same size as this year's expected outcome — that is to say, a further public sector debt repayment of some £3 billion — (Conservative cheers).

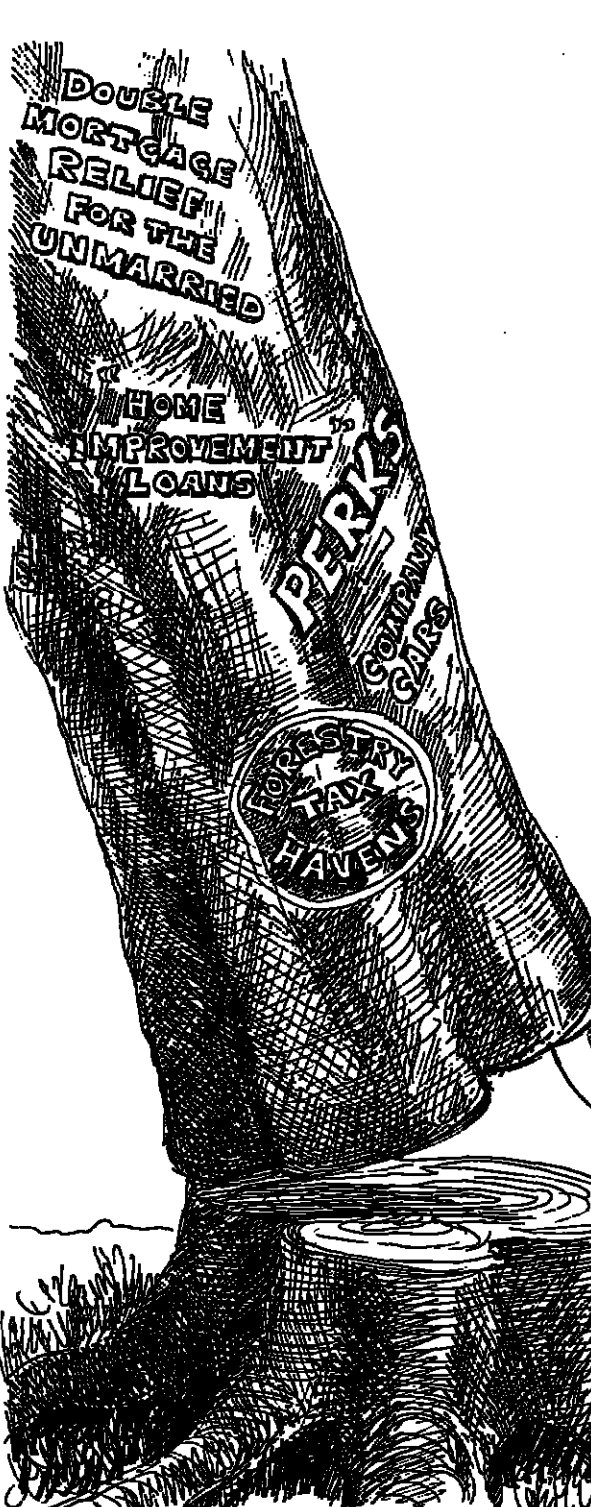
What this means is that it will not be possible in this Budget to ease the burden of taxation; that is to say, to reduce taxation as a share of GDP.

However, the House may be pleased to know that, with a strong and healthy economy, a constant burden of taxation implies a reduction in tax rates.

I indicated at the outset that this will be a radical, tax-reforming Budget. Over the past few years there has been increasing recognition, throughout the industrialized world, of the importance of tax reform in improving economic performance. And for us in this country, the lesson is underlined by the success of the reform of business taxation I announced in my first Budget, at the start of the last Parliament.

But while tax reform is a simple matter for the armchair critic, it is very much more difficult in practice. It is difficult technically and difficult politically — since any tax system, however it arose, creates powerful vested interests in favour of the status quo. Nor, indeed, is it right that change should be too violent. People have a right to expect a reasonable degree of stability in the framework within which they order their affairs. But change there has to be.

So the tax-reforming Chancellor must tread a careful path. That I have sought to do in this Budget. The proposals I shall be making today amount to a substantial and coherent package which will be of increasing benefit to the taxpayer and the



economy as a whole in the years to come.

I have been guided by four basic principles. First, the need to reduce tax rates where they are clearly too high. Second, the need to reduce or abolish unwarranted tax breaks. Third, the need to make life a little simpler for the taxpayer. And, fourth, the need to remove some manifest injustices from the system.

My first reform concerns the taxation of marriage.

The present system for the taxation of married couples goes back 180 years. It taxes the income of a married woman as if it belonged to her husband. Quite simply, that is no longer acceptable.

This is a matter on which there has already been extensive consultation. The time has come to take action.

I therefore propose a major reform of personal taxation, with two objectives. First, to give married women the same privacy and independence in their tax affairs as everyone else. And second, to bring to an end the ways in which the tax system can penalize marriage.

## WOMEN

### Taxation of marriage

I have decided to introduce, at the earliest practicable date, April 1990, a completely new system of independent taxation.

Under this new system, a husband and wife will be taxed independently, on income of all kinds. All taxpayers, male or female, married or single, will be entitled to the same personal allowance, which will be available against all income, whether from earnings, pensions or savings.

In addition, there will be a married couple's allowance, equal to the difference under the present system between the married man's allowance and the single allowance.

This new allowance will go in the first instance to the husband, so that his tax threshold does not fall. But if he does not have enough income to use it in full, he will be able to transfer any unused portion to his wife, to set against her income.

This ensures that the tax system will continue to recognize marriage, as it should do. At the same time, from 1990 married women will pay their own tax, on the basis of their own income, and have their own tax return, when one is necessary.

There will, of course, be nothing to stop married women from asking their husbands to handle their tax affairs — (Opposition laughter) — or vice versa, as before; and many will no doubt do so. But what matters is that, for the first time ever, married women will have the right to complete independence and privacy so far as tax is concerned.

In the same way, a husband and wife will be taxed independently on any capital gains they may have, with an annual exemption each, instead of one between them, as now. But transfers of capital between husband and wife will continue to be entirely free of any liability to tax.

As I have said, the new system will come into force in 1990. This is much sooner than would have been possible for most of the alternatives that have been canvassed. The necessary legislation will be contained in this year's Finance Bill. The cost of this historic reform, which for

the first time ever gives a fair deal to married women, will be a little over £500 million in 1990-91.

I mentioned a few moments ago the tax penalties on marriage. It is clearly wrong that some couples should find themselves paying more tax, simply because they are married. I propose to put that right.

## MORTGAGE

### Criticism was justified

Independent taxation by itself will remove the most common penalty — the taxation of a married woman's income at her husband's marginal rate. But there are other tax penalties on marriage, and I propose to abolish all of them. These changes need not await the introduction of independent taxation.

Under the present system an unmarried couple can get twice as much mortgage interest relief as a married couple. This has attracted increasing — and justified — criticism. I propose to put a stop to it as from August 1989.

Thereafter, the £30,000 limit on mortgage interest relief will be related to the house or flat, irrespective of the number of borrowers. This was the solution put forward in the 1986 Green Paper on personal taxation, and it is widely welcomed. Existing mortgages will be unaffected.

Another anomaly is that an unmarried couple with children can claim each the additional personal allowance intended for single parents, and this get more tax relief than a married couple in the same position. I propose to confine this to a single additional personal allowance, with effect from April 1989.

Thus this Budget will not only, for the first time ever, give married women a fair deal from the tax system. It will also eliminate, for all practical purposes, all the other tax penalties which, under the present system, can arise on marriage.

## ENTERTAINMENT

### Taxation of business

I turn now to business taxation.

The major reform of business taxation, which I introduced in 1984, and which was completed in 1986, has given us one of the lowest corporation tax rates in the world. This has encouraged overseas companies to invest in Britain and, most important of all, has greatly improved the quality of investment by British firms.

It is a crucial part of an environment in which company profitability has recovered to its highest level for some 20 years. It has succeeded in its objectives.

I do not therefore propose any further changes to the structure of corporation tax. And the main corporation tax rate for 1988-89 will be unchanged at 35 per cent.

But I do have some changes to propose to specific aspects of business taxation.

British exporters have done extremely well in recent years, thanks to major improvements in efficiency and quality. But no exporter could honestly claim that his success hinges on the

fact that the cost of entertaining overseas customers is tax deductible, whereas business entertainment generally is not.

I therefore propose to simplify the system by making all business entertainment non-deductible for tax purposes, including for VAT.

In conjunction with the Secretary of State for Energy (Mr Cecil Parkinson), I propose to restructure the tax regime for the new generation of Southern basin and offshore fields, so as to relate tax liability more closely to profitability.

Accordingly, Mr Parkinson will shortly be bringing forward legislation to abolish royalties, from July 1, for all such fields. At the same time, I propose to reduce the petroleum revenue tax oil allowance for these fields. This will mean the end of royalties for all future fields.

The 1986 Building Societies Act gives building societies the power to convert themselves into companies, if they so wish. At present, however, they would face a heavy, and unintended, tax charge if they did so. I propose to rectify this.

I have two changes to propose to the tax arrangements for Lloyd's. The first meets the only point Lloyd's has raised on last year's legislation on reinsuring to close. The second will benefit both Lloyd's and the Inland Revenue by simplifying the administrative arrangements for taxing Lloyd's members.

I also propose to simplify the Section 482 rules for companies who wish to migrate overseas, so as to bring them broadly into line with most of our major competitors. In future, companies will be resident in the UK if they are incorporated here. Subject to that, instead of having to ask for Treasury consent, companies will be free to migrate, provided only that they pay their tax first.

I now turn to a number of proposals to give further help to small businesses and new businesses, whose encouragement is a central theme of Government policy. The rate of new business formation, net of failures, has averaged 500 a week since 1979. This shows beyond any doubt the continuing vigour of this sector, which is such an important source of enterprise, innovation and new jobs.

Many new businesses have been greatly assisted by the Business Expansion Scheme, which has been running for nearly five years. During that time it has enabled new and expanding companies to raise equity finance amounting to some £150 million a year.

However, the rapid growth of the venture capital market since 1983 has meant that companies seeking relatively large amounts of equity investment can now raise these readily, while smaller companies looking for more modest amounts can still find it difficult to do so.

To improve the targeting of the BES, I therefore propose to introduce a limit of £500,000 on the amount any company can raise under the scheme in any one year. Investment should thus be better directed at the smaller and newer businesses, particularly those outside the South-east of England, which can still find it hard to raise equity finance in other ways. In the special circumstances of the ship-charters industry, however, the limit will be £5 million.

I have one further proposal affecting the Business Expansion Scheme.

One of the key reasons for our economic transformation has been the reform of the supply side of the economy. The tax relief I introduced last

year for profit-related pay will, in time, help to increase pay flexibility and improve the working of the labour market. But if successful firms are to expand further, and create still more jobs, we also have to make it easier for people to move to where the new jobs are.

## PROPERTY

### Incentives for house letting

For years, the shortage of private rented accommodation has been an obstacle to labour mobility. The Government's proposals to deregulate new rents are already going through the House. Deregulation will, over time, substantially increase the supply of housing for rent. But this will not happen overnight, and there is a case for a special incentive to speed up the process in the early years.

I therefore propose to extend the Business Expansion Scheme to include companies specializing in the letting of residential property on the new assured tenancy basis.

The BES is well suited to this task. Since full tax relief is given immediately, it should bring forward new investment straight away. And we will be building on success.

The limit for this type of investment will be £5 million a year for any one company. Since the relief is specifically designed to provide an extra stimulus in the early years of deregulation, it will run only for investments made before the end of 1993.

This change will powerfully reinforce the impact of decontrol in reviving the private rented sector of housing in Britain — (Conservative cheers).

In last year's Budget I raised the ceiling for capital gains tax reinvestment relief from £100,000 of gain to £125,000. But I believe it is necessary to do more to help the small businessman whose wealth is tied up in his business and who is faced with the disincentive of a heavy capital gains tax bill when he sells up on retirement. I therefore propose to extend capital gains tax reinvestment relief so that, on top of the exemption, half of any gain between £125,000 and £500,000 will also be completely free of tax.

While on the subject of capital gains tax, I propose to extend rollover relief to a group of assets whose common characteristic is that they barely existed when the present list of qualifying assets was drawn up. They are milk quotas, potato quotas, satellites and spacecraft — (Laughter). I know that this will be warmly welcomed in the farming and extra-terrestrial communities alike — (Renewed laughter).

Lastly, on the small business front, I propose to increase the VAT threshold to £22,000, the maximum permitted under existing European Community law.

Throughout my time as Chancellor, I have been on the lookout for taxes to abolish. Abolition is clearly the simplest variety of reform. I have already abolished the National Insurance surcharge, the Investment Income surcharge, Development Land Tax, and the tax on lifetime gifts.

At present, companies have to pay a Capital Duty of 1 per cent whenever they raise new capital — whenever, for example, a new company is formed or an existing company sells new shares to the public. This is undesirable

on two counts. It is a burden on companies who need to secure external finance for expansion. And it discriminates against equity capital as compared with debt finance and bank borrowing.

Capital Duty is a relatively recent impost which had to be introduced in 1973 in compliance with our obligations under European Community law. But the relevant Community directive has now been amended. Accordingly, I propose to abolish Capital Duty with effect from midnight tonight — (Cheers).

At the same time, I propose to get rid of the Unit Trust Instrument Duty, a similar though much less substantial tax, which is levied at the rate of 0.25 per cent on all assets put into a unit trust. I know the unit trust movement will welcome this minor relief, and I trust the benefit will be fully passed on to investors.

The cost of abolishing these two taxes will be of the order of £100 million in 1988-89. Not counting minor imposts, the demise of Capital Duty brings the number of taxes I have abolished up to five: an average of one a Budget — (Conservative cries of "More").

## COVENANTS

### An area ripe for reform

I now turn to an important area of personal taxation which is ripe for reform and simplification: the taxation of payments made under deed of covenant and maintenance arrangements.

Covenants to charity will be wholly unaffected by the changes I am about to propose.

Other covenants, and maintenance arrangements, are essentially ways of transferring income from one individual to another, usually from one member of a family to another, which is a parent or grandparent covenanting to a child, or a husband paying maintenance to an ex-wife. Most of the financial transfers that take place within families are rightly and properly outside the scope of the tax system altogether. I propose, as far as is practicable, to take covenants and maintenance out as well. This will greatly simplify an unnecessarily complex part of the tax system.

First, covenants. Charitable covenants apart, I propose to take all new covenants made by individuals on or after today out of the tax system altogether. In other words, people receiving payments under covenants will not be liable to tax on them, and those making the payments will not be able to claim tax relief on them. The tax treatment of existing covenants will continue unchanged.

The largest single group of people affected by this change will be students, together with their parents, many of whom nowadays choose to make their contribution to the student maintenance grant by covenant. This has arisen as an unintended by-product of the reduction in 1970 of the legal age of majority from 21 to 18.

As I have already indicated, those who have already made such covenants will continue to benefit from tax relief. For new students, the parental contribution to the maintenance grant will be assessed on a new and more generous scale, to reflect the withdrawal of tax relief on new covenants. The Secretary of State for Education and Science (Mr Kenneth Baker) and for Scotland (Mr Malcolm Rifkind) will be publishing the details tomorrow.

One desirable side-effect of this reform is that future students will no longer be deterred from taking vacation jobs because their covenant income has already absorbed their personal allowance — (Opposition protests).

Student covenants apart, there will be no compensation for the loss of tax advantage arising from these proposals. But the new rates of income tax are set at reasonable levels, this is precisely the sort of tax shelter it is right to dispense with.

## MAINTENANCE

### Present rules too complex

Next, maintenance. Here, too, we tax the recipient, only to give tax relief to the payer. The present rules can be complex and confusing for people going through separation and divorce. The tax system ought to intrude as little as possible, though it is reasonable that there should be some recognition of the fact that an ex-husband is continuing to support his ex-wife or vice versa.

Accordingly, I propose that, for new maintenance arrangements, recipients will not be liable to any tax whatever on maintenance payments. Relief to the payer will be restricted to payments to a separated or divorced spouse, up to a limit equal to the difference between the married and single allowances.

For existing maintenance arrangements, the present rules will continue to apply in 1988-89, except that a separated or divorced spouse will be exempt from tax on receipts up to the difference between the married and single allowances. Full relief will continue for all those who are making payments under existing court orders or agreements. The same protection will also apply to those who have already applied for court orders, provided these are made by June 30. From April 1989 there will be special transitional rules

Continued on facing page.



# Income tax 'one of the world's simplest systems'

Continued from page 18

to continue protection for existing arrangements.

While the transitional provisions are inevitably somewhat complex, the new system will be very much simpler than the old, for all concerned. It will reduce the tax relief that can be obtained by the better-off payers of large amounts of maintenance, but for most couples the husband will continue to enjoy full tax relief while the ex-wife will not be taxed.

The reform of the tax treatment of maintenance I am proposing today will also remove one of the lesser known tax penalties on marriage. At present, an unmarried couple can make large payments either between themselves or to their young children, and get tax relief that would not have been available had they been married. My proposed reform will put an end to that.

As I have said, this reform and simplification of the taxation of covenants and maintenance in no way affects covenants to charity. Indeed, I have a proposal to help charities further.

The payroll giving scheme has now been running for nearly a year. I am glad that so many employers have already set up schemes, and I hope as many employees as possible will take advantage of them. In order to give further encouragement to charitable giving, and to assist the growth of the payroll giving scheme, I propose to double the annual limit on tax-allowable donations under the scheme to £240, or £20 a month.

## CONFECTIONERY

### Taxation on spending

I now turn to the taxation on spending.

I have one change to propose today affecting the coverage of value-added tax, which will remain at 15 per cent. Confectionery was brought in to VAT by Mr Denis Healey in 1974, and since then the rate of confectionery goes back further still to the days of purchase tax.

The emergence of new products has rendered this definition, rather like Mr Healey himself, somewhat obsolete. (Conservative laughter and Opposition cries of "cheap".)

In particular, recent legal decisions mean that some cereals are subject to VAT, while others are not. I propose to clarify the law so that all cereals are taxed.

I propose to raise the excise duties as a whole broadly in line with inflation, but to make some modest adjustments within the total. The duty on cigarettes and hand-rolling tobacco will be increased to the equivalent, including VAT, of between 3p and 4p for a pack of 20 cigarettes. This will take effect from midnight on Thursday. The duty on a packet of five small cigars will rise by 2p, but on pipe tobacco will remain unchanged. (Cheers.)

As to the alcohol duties, I propose to increase them, including VAT, will put about 1p on the price of a pint of average-strength beer and cider, 5p on a bottle of table wine, and 6p on a bottle of sparkling or fortified wine. There will also be a small increase in the duty on spirits. (Cheers.) These changes will take effect from 6 o'clock tonight.

The existing duty structure is inhibiting sales of drinks known as "coolers", which are mixtures of an alcoholic drink and a soft drink. I propose to introduce lower rates of duty for these products, so as to encourage the young in particular to change to drinks with a lower alcohol content. (Cheers.)

For the same reason, I propose from October 1 to abolish the minimum duty charge on beer, which will encourage the promotion of lower-strength beers.

I propose once again to leave the main rates of vehicle excise duty unchanged. To recover the revenue forgone, I propose increases in petrol and duty over and above the rate of inflation, which, including VAT, will raise the price of petrol by between 5p and 6p a gallon, and of duty by a little under 5p a gallon. These changes will take effect from 6 o'clock tonight.

# Don't get mad, get even, says Kinnock

Opening the debate on the Budget, Mr Neil Kinnock, Leader of the Opposition, said that it had generated an anger and resentment against the Conservative Government which he said was the best of people in society who had had more than £2 billion a year awarded to them in tax concessions while he had offered nothing at all to the NHS.

By comparison with the hand-outs to the richest he offered a tiny, marginal negligible amount to the average people.

"In these circumstances the anger generated is understandable. But I and my comrades (Conservative interruptions) shall take the view: don't get mad, get even. Argument is always superior to the form of action we have seen this afternoon."

The changes were worth 46p a week to those earning more than £100 a week. A married man with two children earning £200 a week benefited by 3.98p a week. But that rose to £1,000 a week. "That cannot be right. It cannot be right in terms of incentives."

The Conservatives felt that to get the rich to work harder they had to be given incentives. To get the poor to work harder they had to give them less.

For accurate, adequate com-

ment on the Budget reliance had to be placed on St Matthew. "To them that shall be given even unto abundance and from them that hath not shall be taken even that which they have."

That was the only judgement which could adequately be offered to a Government which in March was offering immense tax handouts to the richest and in April would take away house benefit, social security benefit from the poorest. (Labour cries of "Shame".)

"We are constantly reminded that Governments do not have any money of their own. They only have the people's money. It can be said with absolute certainty that the British people, by a overwhelming majority, wanted their money to be used to the NHS today. They wanted that because they realized that the NHS is grievously under-funded and because they value that service above their immediate personal gain and because they know that tax and cuts do not buy nurses or open hospital wards."

"I hear Conservative members saying that tax cuts do pay for the NHS. They will have to face the fact that a staff nurse at the top of the pay scale

tax. And the flat rate of 40 per cent means that for the family business, enjoying 50 per cent business relief, the effective rate of tax can never exceed 20 per cent, one of the lowest inheritance tax rates in the industrialized world."

But the indexed gain will be taxed at the income tax rate that would apply if it were the taxpayer's marginal slice of income. In other words, I propose in future to apply the same rate of tax to income and capital gains alike.

These changes will not take effect until April 6.

Taking capital gains at income tax rates makes for greater neutrality in the tax system. It is what we now do for companies. And it is also the practice in the United States, with the big difference that there they have neither indexation relief nor a separate capital gains tax threshold.

The changes I have announced represent a thoroughgoing reform of capital gains tax which will benefit the economy and eradicate a major injustice. They will sharply reduce the damaging effects of the tax, while ensuring that capital gains remain properly taxed and the yield of income tax adequately protected.

They are expected to cost a little over £200 million in 1989-90.

## CAPITAL GAINS

### Tax falls on paper profits

The cost of these changes will be £100 million in 1988-89.

Lastly, capital gains tax. Strictly speaking, this should not be a tax on the original capital at all. Nor is it, so far as gains which have arisen since 1982 are concerned, thanks to the indexation provisions introduced by my predecessor in 1982, and extended in my 1985 Budget.

But for gains that arose before 1982, the tax falls largely on pure paper profits resulting from the rampant inflation of the 1970s. In other words, it bites deeply, and capriciously, into the capital itself.

This has long been recognized as manifestly unjust. Indeed, from the time I first entered the House I have argued that capital gains tax should fall only on real gains, and not on paper gains.

I have therefore looked hard to see if the indexation provisions could be applied right back to the inception of the tax in 1965. Unfortunately, they cannot. The necessary information is in many cases no longer available.

Accordingly, I have decided to bring the base date for the tax forward from 1965 to 1982. That is to say, for all disposals on or after April 6, that part of any capital gain which arose before April 1982 will be exempt from tax altogether, for individuals and companies alike.

This Budget thus ends once and for all the injustice of taxing purely inflationary gains. This will benefit the economy by unlocking assets which have been virtually sterilized because of the penal tax that would have arisen on any sale. And it will help many small businessmen and farmers in particular.

At present, the first £6,600 year of capital gain is tax free. The relatively high level of this threshold stems from the substantial increase my predecessor made in 1982, explicitly as rough and ready partial compensation for the continued taxation of pre-1982 paper gains.

Now that I have taken pre-1982 gains out of tax altogether, I propose to reduce the capital gains tax threshold to £5,000. It should also be borne in mind that, with the introduction of independent taxation in 1990, a husband and wife will each have their own threshold for capital gains tax as well as for income tax.

Reducing the tax so as to produce a fully indexed system makes it possible to bring the taxation of gains closer to that of income.

In principle, there is little economic difference between income and capital gains, and many people effectively have the option of choosing to receive a significant extent which to receive. And, insofar as there is a difference, it is by no means clear why one should be taxed more heavily than the other.

Taking them at difference rates distorts investment decisions and inevitably creates a major tax avoidance industry.

## INDEXING

### Main house free of tax

Moreover, at present, with capital gains taxed at 30 per cent for everybody, higher rate taxpayers face a lower - sometimes much lower - rate of tax on gains than on investment income. I propose to equalize the rate of tax on gains and on income. This contrast is hard to justify.

I therefore propose a fundamental reform. Subject to the special characteristics of forestry, where it can take anything up to a hundred years before the costs of planting

and even though there was the most urgent need, the Chancellor had deliberately chosen not to make the day National Health day.

He had chosen not to make it national anything day. Fifteen million people, more than one in four, would not benefit from the Chancellor's income tax cuts.

There was nothing in the Budget to blunt the cutting edge of the effects on housing benefit. The poorest people would lose up to 96p in any pound gained from tax concessions.

The Budget also did nothing to help those trying to export from Britain, but did give real help to those trying to import into Britain.

The business expansion scheme was an endorsement to buying up houses and blocks of houses by offering a subsidy to the landlord. At the same time, going through the House was a Bill that would hammer the tenants in both the public and private sectors.

What imbalance. It was a Rakhman expansion scheme.

There was nothing in the Budget for laying or building the foundation for sustainable economic growth.

Exports had gone up to record levels, by 30 per cent, but

imports in the Tory years had gone up by 50 per cent. A nation of modern makers and traders was being out-competed by continuing divergence.

The trade deficit was £9.6 billion, too big to be balanced. What a judgement on a Government with the marvellous bonus of oil that it should be carrying a balance of payment deficit.

The Chancellor in balancing his Budget might deserve the name "Lucky Lawson" but in balancing the country's trade he must be known as "Lose-Lawson".

Credit and debt had increased for households in Britain under this prudent Government from £80 billion a year to £280 billion.

The stimulus of growth that the Chancellor was proud to talk about was substantially sustained, not by any virile development of the economy but by a massive expansion of household debt.

On the basis of the sell-off of national assets, anybody who had a house could make a budget surplus. All they had to do was sell the house and move into rented accommodation.

The Budget should have invested in production, in exports and sales, in research and development, in health and social justice.

However, the taxation of the benefit of free car parking threatens to become an administrative nightmare. I propose to exempt this particular benefit from tax altogether. (Laughter.)

Next, mortgage interest relief. This Government is committed to the further spread of home ownership. Mortgage interest relief has an important role to play in achieving that aim.

However, in addition to the decision to apply the £30,000 limit to the house or flat, which I have already announced, and which will remove the most widely-resented tax penalty on marriage, I have a further reform to propose in this area.

## CREDIT

### Cash for home improvements

This concerns the parallel tax relief for home improvement loans. Most of these loans are for fittings such as double glazing, and have played a significant part in the recent growth of consumer credit without in any way contributing to the expansion of home ownership.

This may be partly due to the substantial scope for abuse, as loans ostensibly taken out for home improvements are used for other purposes, a matter which was the subject of a recent report from the public accounts committee.

I propose, therefore, to end tax relief for all new home improvement loans taken out after April 5. Existing home improvement loans will be unaffected. This is expected to yield £80 million in 1988-89.

Finally, I turn to income tax itself.

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Thus the single allowance will go up not by £50, as required by indexation, but by £180, to £2,605; and the married allowance will go up not by £150 but by £300, to £4,095. The additional personal allowance and widow's bereavement allowance will thus rise by £120 to £1,490. Similarly the single age allowance will rise by £220 to £3,180 and the married age allowance by £360 to £5,835.

The higher allowances for taxpayers aged 80 and over, which I introduced in the last Budget, will correspondingly be increased by £240 and £360 to £3,310 and £5,205 respectively, and the new age allowance income limit will be £10,600.

The upper limit of taxable income for the basic rate band will be increased to £19,300.

The increases I have just announced mean that the basic tax thresholds will be fully 25 per cent higher, in real terms, than they were in 1978-79, Labour's last year. Indeed, the married man's tax threshold will be at its highest level in real terms for nearly half a century (Conservative cheers).

Given these substantial increases in the main allowances, I am taking the opportunity to simplify the system by abolishing three minor personal allowances which have been unchanged, in cash terms, for over 20 years: the housekeeper allowance, the dependent relative allowance, and the son's or daughter's services allowance.

The scales for the taxation of car fuel adequately reflect the value of the benefit, and I propose to leave them unchanged for 1988-89.

## MANIFESTO

### Tax is cut to 25p in pound

In our general election manifesto last year we committed ourselves to reducing the basic rate of income tax to 25p in the pound as soon as it was prudent to do so. This pledge followed a reduction of 2p in the pound to 27p in last year's Budget.

At the time, this was regarded with some scepticism, not to say cynicism, by the Opposition, who no doubt recalled that Labour Governments used to reduce tax only in front of an election, and at all other times increased it. Indeed, shortly before last year's Budget Mr Roy Hattersley, the deputy leader of the Labour Party said this:

"I must advise the Chancellor of something that he already knows: whichever party wins the general election, the tax cuts he makes in this Budget will be reversed."

The time has come to put Mr Hattersley out of his misery. So far from reversing the 1982 Budget tax reductions, I propose to take this, the first opportunity since the general election, to fulfil our manifesto pledge. The basic rate of income tax for 1988-89 will be 25p in the pound.

and the income from selling the felled timber.

But the present system cannot be justified - (Opposition cheers). It enables top rate taxpayers in particular to shelter other income from tax, by setting it against expenditure on forestry, while the proceeds from any eventual sale are effectively tax free.

The time has come to bring it to an end. I propose to do so by the simple expedient of taking commercial woodlands out of the income tax system altogether. That is to say, as from today, and subject to transitional provisions, expenditure on commercial woodlands will no longer be allowed as a deduction for income tax and corporation tax. But, equally, receipts from the sale of trees or felled timber will no longer be liable to tax.

It is perhaps, a measure of the absurdity of the present system that the exemption of commercial woodlands from tax will, in time, actually increase tax revenues by over £10 million a year.

At the same time, in order to further the Government's objective of lower taxes all round and fewer tax breaks of this kind.

Far and away the most widespread benefit in kind is the company car, which is substantially tax-free. Independent studies, based on figures supplied by the AA, suggest that an employee with a typical company car may be taxed on only about a quarter of its true value.

This discrepancy is too great to be allowed to continue. On the other hand, the scale of the under-taxation is so great that it cannot be put right in a single year. But in a Budget when I am able to reduce tax rates, there is a strong case for a substantial increase in the taxation of these benefits. I therefore propose to double the car scales for 1988-89. This increase replaces the 10 per cent increase which I had already announced for 1988-89. The yield will be £260 million in 1988-89.

The scales for the taxation of car fuel adequately reflect the value of the benefit, and I propose to leave them unchanged for 1988-89.



Mr Neil Kinnock: Lawson has again put the wealth of the very few before the nation's wealth

## INCOME TAX

### Reforming allowances

Finally, I turn to income tax. The way to a strong economy is to boost incentives and enterprise. And that means, among other things, keeping income tax as low as possible.

Income tax has now been reduced in each of the last six Budgets - the first time this has ever occurred. And the strength of the economy over that period speaks for itself. (Conservative cheers.)

However, reforming income tax is not simply a matter of cutting the rates. It also has to look at all the various allowances and reliefs to ensure that they are still justified.

With this in mind, I have a number of proposals to announce.

First, forestry. I accept that the tax system should recognize the special characteristics of forestry, where it can take anything up to a hundred years before the costs of planting

and even though there was the most urgent need, the Chancellor had deliberately chosen not to make the day National Health day.

He had chosen not to make it national anything day. Fifteen million people, more than one in four, would not benefit from the Chancellor's income tax cuts.

There was nothing in the Budget to blunt the cutting edge of the effects on housing benefit. The poorest people would lose up to 96p in any pound gained from tax concessions.

The Budget also did nothing to help those trying to export from Britain, but did give real help to those trying to import into Britain.

The business expansion scheme was an endorsement to buying up houses and blocks of houses by offering a subsidy to the landlord. At the same time, going through the House was a Bill that would hammer the tenants in both the public and private sectors.

What imbalance. It was a Rakhman expansion scheme.

There was nothing in the Budget for laying or building the foundation for sustainable economic growth.

Exports had gone up to record levels, by 30 per cent, but

imports in the Tory years had gone up by 50 per cent. A nation of modern makers and traders was being out-competed by continuing divergence.

The trade deficit was £9.6 billion, too big to be balanced. What a judgement on a Government with the marvellous bonus of oil that it should be carrying a balance of payment deficit.

The Chancellor in balancing his Budget might deserve the name "Lucky Lawson" but in balancing the country's trade he must be known as "Lose-Lawson".

Credit and debt had increased for households in Britain under this prudent Government from £80 billion a year to £280 billion.

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The stimulus of growth that the Chancellor was proud to talk about was substantially sustained, not by any virile development of the economy but by a massive expansion of household debt.

On the basis of the sell-off of national assets, anybody who had a house could make a budget surplus. All they had to do was sell the house and move into rented accommodation.

The Budget should have invested in production, in exports and sales, in research and development, in health and social justice.

However, the taxation of the benefit of free car parking threatens to become an administrative nightmare. I propose to exempt this particular benefit from tax altogether. (Laughter.)

Next, mortgage interest relief. This Government is committed to the further spread of home ownership. Mortgage interest relief has an important role to play in achieving that aim.

However, in addition to the decision to apply the £30,000 limit to the house or flat, which I have already announced, and which will remove the most widely-resented tax penalty on marriage, I have a further reform to propose in this area.

This concerns the parallel tax relief for home improvement loans. Most of these loans are for fittings such as double glazing, and have played a significant part in the recent growth of consumer credit without in any way contributing to the expansion of home ownership.

This may be partly due to the substantial scope for abuse, as loans ostensibly taken out for home improvements are used for other purposes, a matter which was the subject of a recent report from the public accounts committee.

I propose, therefore, to end tax relief for all new home improvement loans taken out after April 5. Existing home improvement loans will be unaffected. This is expected to yield £80 million in 1988-89.

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Since we first took office in 1979, we have reduced the basic rate of income tax from 33 per cent - one third - to 25 per cent - a quarter. Our aim should now be to get it down to a fifth - (Conservative cheers) - a rate of 20p in the pound - as soon as we prudently and safely can. (Conservative cheers and Labour cries of "What about the NHS?")

Meanwhile, I have today been able to reduce income tax at all levels, with increases in both the personal allowances and the basic rate limit, and reductions in both the basic and higher rates.

The tax reduction for a married man on average earnings will be worth nearly £5 a week. The changes will take effect under PAYE on the first pay day after June 1. The cost £4.25 billion in 1988-89 over and above statutory indexation, of which three quarters represents the cost of increasing tax thresholds and reducing the basic rate.

The total cost of all the measures in this year's Budget, again on an indexed basis, is a shade under £4 billion.

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# Treasury sees good prospects for inflation and employment

The Chancellor said the strength and durability of the economic upswing had exceeded all post-war records and he painted a buoyant picture for further economic progress this year

In its *Financial Statement and Budget Report* (The Red Book) the Treasury forecast that growth should be about 3 per cent in 1988, close to the average rate over the last six years, but significantly below the 4½ per cent growth of last year. Inflation is expected to remain low and there are good prospects for a further fall in unemployment.

The economy grew strongly in 1987, with growth of gross domestic product (GDP) of 4½ per cent and manufacturing output growth of 5½ per cent. Domestic demand rose by 4 per cent, the same as in 1986. It is expected to rise at a similar rate this year, with slightly slower growth of consumer spending being offset by markedly faster growth of investment. GDP is forecast to grow by 3 per cent (3½ per cent for non-oil GDP).

Retail-price inflation averaged just above 4 per cent last year. It fell to 3½ per cent in January of this year, but is forecast to return to 4 per cent in the fourth quarter.

Employment has risen strongly over the past year, with unemployment falling by half a million – the largest decline since the Second World War. Unemployment should continue to fall this year.

Gross national product (GNP) in the main industrial economies grew by about 3 per cent last year. This year, growth could ease slightly to 2½ per cent. Industrial production picked up strongly last year. Associated with this was faster growth in trade in manufactures and some recovery in industrial materials prices. World trade in manufactures appears to have grown by about 5½ per cent last year and should grow by a similar amount this year.

Both export and import volumes grew rapidly last year, some moderation in growth is likely this year. After recent revisions to the surplus on invisibles, the current account is now estimated to have been in deficit by a little more than £1.5 billion in 1987. A deficit of £4 billion (less than 1 per cent of GDP) is forecast for this year.

## Growth in the world economy

Output growth in the industrialized countries strengthened in the second half of last year, particularly in North America and Japan. Real GNP in the leading seven Organization for Economic Co-operation and Development (OECD) countries is estimated to have increased by 3 per cent last year, marginally faster than in 1986.

Substantial falls in import prices in 1986 – notably for oil, but also for many other primary commodities – were partly reversed in 1987. Oil prices recovered from their low point of the summer of 1986, but have weakened in recent months.

Prices of other industrial materials rose as world activity picked up. Nevertheless, consumer price inflation in the leading economies has remained low. In Japan and West Germany, the appreciation of their currencies meant that inflation was close to zero. But in the US, consumer price inflation rose to 4½ per cent at the end of last year.

The improved terms of trade for developing countries boosted the exports of the main industrialized countries and helped to strengthen business investment. This more than offset some slowdown in the growth of real personal incomes and consumer spending.

As a result, industrial production has been particularly buoyant; industrial output in the principal seven OECD economies was more than 5 per cent higher in December 1987 than a year earlier.

Equity prices in the US and most other countries continued to rise in the first part of last year, reaching a record high in a number of countries around mid-year. In large part, the subsequent fall in equity prices can be seen as a correction, even though the scale and sharpness of the fall in October were unprecedented. Prompt action by the monetary authorities in the leading countries to reduce interest rates and provide sufficient liquidity helped to prevent a big collapse of confidence.

World import volumes are estimated to have grown by

more than 4 per cent last year. This is slightly lower than in 1986, when there was a substantial rise in oil trade as stocks were rebuilt. The growth of trade in manufactures in 1987 – provisionally estimated at about 5½ per cent – was picked up substantially by the continued buoyancy of domestic demand in the main seven countries and by increased demand from the rest of the world.

On aggregate, real GNP in the principal seven countries is expected to grow a little less strongly this year than in 1987, though industrial production should remain buoyant. Inflation is likely to stay low.

As a result of the continued strength of industrial activity, some further modest rise in non-food commodity prices is expected this year. Food prices, however, are likely to be held down by continued over-supply, encouraged by high levels of support in many countries. The forecast is based on the assumption that North Sea oil prices remain close to recent levels.

Imports by industrial countries are expected to grow less rapidly than in 1986 and 1987. Imports by non-oil developing countries will be helped by stronger commodity prices, and hence export earnings. Total world trade in 1988 is forecast to grow at close to the rate experienced in 1987.

## Trade and balance of payments

In the UK, unit labour costs in manufacturing rose only slightly in 1987, at a similar rate to the average in the other main economies, with rapid productivity growth largely offsetting a continuing high level of pay increases. Despite some appreciation of sterling, Britain's cost competitiveness remains more favourable than in 1985, before the fall in world oil prices.

The maintenance of competitiveness in the year ahead will depend on success in continuing to restrain unit cost increases.

Non-oil export volumes rose by 7 per cent in 1987. Manufactured exports rose particularly strongly, reflecting renewed growth in world trade and the UK's strong competitive position. Non-oil export volumes are forecast to rise in 1988 by a further 5 per cent.

The UK increased its share of world trade in manufactures slightly in 1987 (Chart 3.5). Its volume share has remained broadly stable since 1981, in marked contrast to the previous long-term decline. This improved performance is forecast to continue in 1988.

Non-oil import volumes fell unexpectedly in early 1987 but rose during the rest of the year, and were 8½ per cent higher than in 1986. The increases were widespread, with higher imports of materials and capital goods reflecting the strong growth of UK production of stocks and investment. Consumer goods imports also rose in response to the rise in consumer spending. The volume of imports is forecast to rise less rapidly through the year ahead as output growth slows.

There was a surplus on oil trade of £4 billion last year, little changed from 1986. Higher oil prices and a fall in domestic demand for oil more than offset a decline in North Sea production. In 1988, oil production is likely to be below its 1987 level, close to the centre of the Department of Energy's projected output range, while domestic demand for oil may rise modestly. The oil trade surplus is expected to fall by £1.5 billion, to about £2.5 billion.

The terms of trade, which fell in 1986 as oil prices declined, improved again in 1987 as oil prices firmed and as sterling's appreciation offset some rise in world commodity prices in the latter part of the year. Little further change in the terms of trade is assumed during the rest of 1988.

The latest estimate for the surplus on invisibles in 1987, at £8 billion, is slightly below the outcome in 1986, with increased transfers to the European Community being only partly offset by higher net earnings from services and from the UK's net overseas assets. The invisibles surplus seems likely to rise a little in 1988, partly because of lower net payments abroad by North Sea oil companies.

## Financial Statement and Budget Report 1988-89

### SHORT-TERM ECONOMIC PROSPECTS

	% changes 1987-1988	Average errors from past
<b>A. Output and expenditure at constant 1980 prices</b>		
Domestic demand of which:		
Consumers' expenditure	4	1
General government consumption	4	1
Fixed investment	6½	2½
Change in stockholding as % level of GDP	0	2
Exports of goods and services	6½	2½
Imports of goods and services	3	¾
Gross domestic product: total	5	1½
Manufacturing	5	1½
<b>B. Inflation: Retail Prices Index</b>		
1987Q4 to 1988Q4	4	1
1988Q2 to 1989Q2	4	2
<b>C. Money GDP at market prices</b>		
Financial year 1987-88	4½	1
Financial year 1988-89	4½	1
<b>D. Balance of payments - current a/c</b>		
£ billion		
1988	-4	3
1989 first half (at an annual rate)	-4	4½
<b>E. PSBR</b>		
£ billion		
Financial year 1987-88	-3 (-¼%)	1 (¼%)
Financial year 1988-89	-3 (-¼%)	4 (1%)

The errors relate to the average differences (on either side of the central figure) between PSBR forecasts and outcome over the last 10 years.

For cent changes on previous financial year in brackets; average error shown relates to the forecast of the percentage change.

Per cent of GDP at market prices shown in brackets.

The value of the UK's stock of net overseas assets is provisionally estimated to have been about £90 billion at the end of 1987, some £20 billion down on end-1986. This decline is largely due to the fall in world equity markets and in the sterling value of UK assets in North America following the fall in the US dollar.

The current-account deficit is estimated to have been a little over £1.5 billion in 1987. The improvement over the forecast in last year's PSBR was mainly due to the unexpected strength of exports of manufactures. A deficit of £4 billion (less than 1 per cent of GDP) is forecast for 1988, largely as a result of the projected decline in the oil surplus. The deficit on non-oil trade is forecast to show little further change from the level in the second half of 1987.

## Demand and activity

The UK economy grew by 4½ per cent in 1987. Growth was strong throughout the non-oil economy: manufacturing output rose by 5½ per cent, construction output by 8½ per cent and output of the service industries by 5½ per cent.

Consumers' expenditure is now estimated to have risen by 5 per cent in 1987, less than in 1986. This was faster than

the 3½ per cent growth in real personal disposable income, and the savings ratio once again fell.

A number of factors could account for the decline in the savings ratio in recent years. Inflation has been at a low level not experienced since the 1960s. Recent increases in real house prices, and in equity prices to October 1987, may also have contributed. And many employers have taken so-called holidays on their contributions to employees' pension funds; these score as reduced personal savings.

Personal borrowing rose further during 1987, in large part reflecting increased mortgage borrowing. But personal sector financial assets showed a larger increase, despite the October share price fall.

Consumers' expenditure is forecast to increase by 4 per cent in 1988 and the savings ratio is expected to bounce back a little. Personal investment in dwellings could rise by around 3½ per cent in 1988, rather more slowly than over the last two years.

Non-North Sea industrial and commercial companies' profits (net of stock appreciation) rose sharply in 1987, by over 20 per cent. The rate of

1985-86 and 1986-87 pay rounds. There was a similar picture in the services sector. Whole economy underlying average earnings, boosted by record overtime working in manufacturing, rose by 7½ per cent in 1987. But unit labour costs in manufacturing were broadly unchanged in 1987, reflecting a sharp increase in labour productivity.

It is difficult to discern a reliable trend in recent private sector pay settlements. They have been markedly lower than the recent high growth in earnings, which reflects record overtime working and bonus payments. Recent data suggest that settlements may turn out a little higher in 1988 than in 1987, but overtime working (and overtime earnings) should fall as economic growth moves back closer to trend.

In 1987 rapid growth in productivity meant that manufacturing unit labour costs rose only fractionally, in line with other major industrial countries. Continued growth in underlying productivity should mean that manufacturing unit labour costs grow only slowly in 1988, though in other major industrialised countries no unit labour cost growth at all is forecast.

Manufacturers' profit margins rose significantly in 1987 for the third year in succession. There may be further increases in 1988 if producers take some advantage of falling import costs to raise profits as they did in 1986. Over the longer term, high profitability should lead to continued growth in investment, capacity and productivity. Together these should enhance the prospects for controlling industrial costs.

Retail price inflation has come down in the first quarter of 1988, aided by lower import costs and recent cuts in mortgage interest rates. It may edge up a little, partly as a result of the Budget proposals and the effects of local authority rate increases. There will also be some real increases in nationalised industry prices following a decline in real terms over the past three years. The RPI is forecast to rise by 4 per cent in the year to the fourth quarter of 1988. With substantial cuts in income tax, the tax and price index (TPI) will rise more slowly than the RPI during 1988. By the fourth quarter of 1988 it is likely to be 1½ per cent higher than a year earlier.

The GDP deflator measures the growth of domestic value added – principally unit labour costs and profits per unit of output. It does not include import prices. The GDP deflator at market prices is estimated to have risen by 5 per cent in 1987-88, following an increase of 3 per cent in 1986-87. The higher rate of increase in 1987-88 is largely accounted for by a recovery in North Sea profits, which had fallen by over 50 per cent in 1986-87 following the sharp fall in oil prices. The GDP deflator is forecast to rise by 4½ per cent in 1988-89. Manufacturers' profit margins rose significantly in 1987 for the third year in succession. There may be further increases in 1988 if producers take some advantage of falling import costs to raise profits, as they did in 1986. Over the longer term, high profitability should lead to continued growth in investment, capacity and productivity. Together these should enhance prospects for controlling industrial costs.

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Pay settlements in manufacturing industry recorded by the CBI show a fall of about 1 percentage point between the

The medium term financial strategy (MTFS) continues to provide the framework for the Government's economic policy, as it has done since 1980.

It is intended to bring inflation down further over a period of years, and ultimately to achieve price stability. Accordingly, economic policy is set in a nominal framework. Monetary and fiscal policies are designed to keep the growth of money GDP on a downward trend over the medium term.

The MTFS is complemented by policies to improve the working of markets and the supply side of the economy. By encouraging enterprise, efficiency and flexibility, these policies improve the division of money GDP growth between output growth and inflation, thus assisting the creation of jobs.

Money GDP growth has come down from more than 20 per cent at the start of 1980 to less than 10 per cent last year. At the same time, retail price inflation has fallen from more than 20 per cent at its peak in 1980 to 4 per cent at last year. In real terms the economy has grown steadily at 3½ per cent a year on average since 1983, and is set for a further year of growth at around 3 per cent, with inflation approaching 4 per cent.

Monetary and fiscal policy is directed at maintaining conditions that will bring about a gradual reduction in the growth of money GDP over the medium term.

Money GDP growth is expected to be about 9½ per cent in 1987-88, higher than forecast last year. The division of money GDP growth between output growth and inflation was better than forecast, a further sign of improvements in the supply performance of the economy.

## Slowdown in real growth

Output growth is estimated at 1½ percentage points above last year's forecast; inflation (as measured by the GDP deflator) is estimated to have been about a half percentage point higher than forecast.

For 1988-89, money GDP growth is forecast to be 7½ per cent. Real growth is predicted to slow down from its 1987-88 level. The forecast for the increase in the GDP deflator in 1988-89 is a little above the projection in last year's MTFS.

For the later years, the growth of money GDP is projected to decline at much the same rate as envisaged last year. The medium-term growth projection for the economy as a whole is unchanged from last year's MTFS, as is the medium-term decline in inflation.

A declining path for money GDP growth requires a reduction in monetary growth over the medium term. For M0, which has continued to be a reliable indicator of monetary conditions, the Government is setting a target range for 1988-89 of 1-5 per cent.

This is the same as indicated in last year's MTFS.

While, as last year, there is no explicit target range for broad money, the assessment of monetary conditions continues to take broad money, or liquidity, into account.

## Central role for exchange rates

With the increasing overlap between activities of banks and building societies, it is sensible to concentrate on measures of broad money that include deposits held with both. The authorities will seek

reductions of two percentage points in the small companies rate of corporation tax and the rate of advanced corporation tax to 25 per cent follow almost automatically from the two point cut in the basic rate of income tax, to which both are geared.

The small companies rate is designed to affect tax neutrality by putting a proprietor of a limited company on the same basis as if his income came from unincorporated trading or from employment.

Advanced corporation tax is equivalent to tax at the standard rate on dividends paid and, under the imputation system, is treated as an advance payment of corporation tax by the company.

From little more than £8 billion in 1984-85, the yield from corporation tax rose to a forecast £15 billion in 1987-88. Sharp further increases in revenue are expected in 1988-89 as a result of estimated non-oil profits growth of 15 per cent and oil sector profit

to fund the net total of maturing debt, the PSBR, and any underlying change in foreign exchange reserves by sales of debt outside the banking and building society sectors.

Interest rate decisions are based on a comprehensive assessment of monetary conditions so as to maintain downward pressure on inflation. Increases in domestic costs will not be accommodated either by monetary expansion or exchange rate depreciation.

Exchange rates play a central role in both domestic monetary decisions and international policy co-operation. In their communiqué of December 23, the finance ministers and central bank governors of the seven leading industrialized countries re-emphasized their common interest in more stable exchange rates.

It is now expected that there will be a net repayment of public sector debt in 1987-88, compared with a borrowing requirement of about 1 per cent of GDP forecast a year ago. This is only the second time since the early 1950s that there has been a Budget surplus. Even if there had been no privatization proceeds, the PSBR would have been less than half a per cent of GDP, smaller than in any year since 1969-70.

The PSBR is now assumed to be zero over the medium term – a balanced budget. This is a prudent and cautious level and can be maintained over the medium term. It also provides a clear and simple rule, with a good historical pedigree.

In practice, there are likely to be fluctuations around this level from year to year. A PSBR of zero on the basis of present privatization plans implies a PSBR of only 1 per cent of GDP in the absence of privatization proceeds.

The recent strength of the economy and the buoyancy of Government revenue have led to a Budget surplus over the past year, and without the tax reductions announced in the Budget there would have been, on present forecasts, a surplus of about £7 billion in 1988-89.

Continuing the gradualist approach which has always been a characteristic of the MTFS, only part of this room for tax reductions has been used. The PSBR for 1988-89 has been set at minus £3 billion, the same as the expected outcome for 1987-88.

## OUTPUT AND INFLATION ASSUMPTIONS

	1987-88	1988-89	1989-90	1990-91	1991-92
<b>General govt expenditure</b>					
185	172	183	193	202	210
<b>General govt receipts</b>					
160	174	185	195	205	214
<b>Fiscal adjustments</b>					
—	—	—	—	3	4
<b>Annual fiscal adjustment</b>					
—	—	—	3	1	1
<b>GGGR</b>					
5	-2	-2	1	1	1
<b>Public corps market and o/s borrowing</b>					
-1½	-1	-1	-1	-1	-1
<b>PSBR</b>					
3½	-3	-3	0	0	0
<b>% of GDP</b>					
1	-¾	-¾	0	0	0
<b>Money GDP</b>					
386	424	456	486	516	545

Constituent items may not sum to totals due to rounding.

## OUTPUT AND INFLATION ASSUMPTIONS

	1987-88	1988-89	1989-90	1990-91	1991-92
<b>Percentage change on previous financial year</b>					
Real GDP	5	3½	3	3	3
Non-North Sea	4½	3	2½	2½	2½
Total	5	4½	4	3½	3
Inflation	5	4½	4	3½	3
GDP deflator	5	4½	4	3½	3

## Growth of the money supply and money GDP

	1987-88	1988-89	1989-90	1990-91	1991-92
<b>Percentage change on previous financial year</b>					
Money GDP	9½	7½	6½	6	5½
M0	5	1-5	1-5	0-4	0-4

## UK non-resident companies face tightening of rules

By Graham Searjeant, Financial Editor

Reductions of two percentage points in the small companies rate of corporation tax and the rate of advanced corporation tax to 25 per cent follow almost automatically from the two point cut in the basic rate of income tax, to which both are geared.

The small companies rate is designed to affect tax neutrality by putting a proprietor of a limited company on the same basis as if his income came from unincorporated trading or from employment.

Advanced corporation tax is equivalent to tax at the standard rate on dividends paid and, under the imputation system, is treated as an advance payment of corporation tax by the company.

From little more than £8 billion in 1984-85, the yield from corporation tax rose to a forecast £15 billion in 1987-88. Sharp further increases in revenue are expected in 1988-89 as a result of estimated non-oil profits growth of 15 per cent and oil sector profit

recovery of more than a third in 1987-88.

There have been calls for a reduction in the rate from 35 per cent to bring it nearer the basic rate of income tax.

But the Chancellor had to count against his fear of leaving room for inflationary pay rises and the likelihood that revenue will not be so buoyant in 1989-90 on the current tax rate. On top of this, delayed capital allowances are now starting to rebuild. Consequently, he has left the mainstream corporation tax rate unchanged at 35 per cent.

The Chancellor has proposed changes to the highly technical anti-avoidance provisions under which companies can cease to be United Kingdom resident for tax purposes or transfer their trade or business to non-residents. He is abolishing the requirement for Treasury consent to company migration. Instead, a simplified process

## Expenditure projections

The PSBR to be set in future Budgets will as usual be reviewed in the light of circumstances at the time. For the period to 1990-91, the public expenditure projections incorporate the public expenditure plans shown in the public expenditure White Paper (Cm288); gross debt interest payments are lower than projected in the White Paper, reflecting lower Government borrowing, while other adjustments are a little higher. It is provisionally assumed that general Government expenditure will grow by 1 per cent in real terms in 1991-92.

The assumptions about output growth and inflation that underlie the revenue projections are consistent with the figures for money GDP growth.

Oil prices are assumed to remain close to levels in 1988-89 and thereafter to remain broadly unchanged in real terms.

Continued restraint in total public spending is a vital element of the Government's economic strategy. Reductions in borrowing and hence in the burden of debt interest, coupled with strong economic growth, are helping the Government to increase spending on priority programmes while achieving its objective of reducing public expenditure as a proportion of national income. This in turn is creating room for reductions in taxation, helping to improve the performance of the supply side of the economy.

The growth in Government revenues in cash terms over the medium term will depend on the growth of incomes, spending and prices, as well as on policy decisions. On the unchanged policy assumptions, general government receipts are expected to increase somewhat less than money GDP.

Government revenues from the North Sea are projected to decline relative to money GDP as oil output falls. After taking account of the tax reductions announced in the Budget, non-North Sea revenues are projected to grow at a little under the rate of growth of non-oil money GDP.

The strength of the economy, coupled with fiscal prudence, has enabled the Government to achieve a balanced budget on a sustainable basis.

THE CASE





1 Pennington Street, London, E1 9XN Telephone: 01-481 4100

## A BALANCED BUDGET

There are few occasions when a Chancellor has the inclination, the capacity and the financial and political means to make major improvements to the tax system. Mr Lawson saw his opportunity and has taken it. His fifth Budget as Chancellor is a considerable achievement.

That does not mean that the Budget will please everybody in every respect. Arm-chair theorists and single-minded interest groups are not subject to the discipline of obtaining a political majority for their proposals. Balancing the Budget politically as well as financially imposes compromise and limits the speed at which change can be attempted. But Mr Lawson has produced an intellectually coherent and worthwhile package which will please most people for most of the time.

The Chancellor's first duty, like Admiral Beatty's at the Battle of Jutland, was to avoid losing the war while winning the battle. This task has been complicated by the sniping from his own side over exchange rate strategy which has caused turmoil in financial markets over the past 10 days. Mr Lawson's Budget speech and the accompanying documents reassert the importance of exchange rate stability as a bulwark against inflation. Once a new trading range for the pound emerges during the next few weeks and the Bank of England is seen to be defending new limits, confidence in the Government's commitment to a stable pound may re-emerge. The demanding target for growth in the money supply will help to underpin the markets' faith in Mr Lawson.

Monetary policy is supported by a cautious fiscal policy. Mr Lawson has produced a Budget surplus of £3 billion this year for the first time in many years and is planning another of the same size in 1988-89 - a remarkable achievement given the state of public finances when Mrs Thatcher came to power in 1979. At £4 billion, the size of tax cuts is at the top end of expectations and a cut in interest rates this week now seems less likely than it did on Monday. But the new commitment to balancing the Budget as a continuing aim of policy - a more demanding objective than the 1 per cent of national income announced last year - coupled with monetary good intentions should be enough to safeguard the Government's all-important gains in the war against inflation.

Mr Lawson's chief achievement is to produce a more efficient structure of personal taxation while tackling the most blatant injustices. The tax treatment of married women has been a source of growing dissatisfaction over many years. Previous proposals for equal allowances which would be fully transferable between husband and wife failed to find a quorum of support. His new proposals for independent taxation with a smaller transferable married couple's allowance are less ambitious, but they will at least meet most of the demands for privacy and

equality in the tax treatment of married women.

His other changes move Britain closer to being a low-tax high-income economy. The cut in the top rate from 60 per cent to 40 per cent means Britain now has the lowest rate of tax on high earners of any of the major economies in Europe. This will not only increase incentives but, by leaving more money in people's pockets, will improve the use of resources in the economy.

The rate of tax on every extra pound earned has also been cut at the bottom end of the scale by the rises in personal allowances. This will cut the very high effective rates of tax suffered by earners whose income becomes taxable just as they come out of social security. And for most earners the 2p cut in the basic rate will lower tax bills everywhere. It has taken longer than many had hoped, but the achievement of the 25p in the pound target set by Sir Geoffrey Howe is a milestone in the retreat from an overweening state.

Mr Lawson has done less than many had hoped to rationalize the interaction of income tax and national insurance contributions. But his sharp increase in the tax rates applied to company cars is courageous, and right, and the exclusion from tax relief of mortgage loans for home improvements may help to curb the rapid growth in personal credit. The biggest gains from this Budget will clearly be those on the highest incomes, but the distributional effects of tax reform need to be seen over a longer period than a single Budget. The new target of a 20p basic rate puts the cut in the top rate into perspective.

Now that the Chancellor has laid his cornucopia on the table, the calls for extra public spending are likely to become more scattered. It is easier to argue against tax cuts in the abstract than actually to pick the taxpayer's pocket. But the question of greater resources for the National Health Service will not go away. It is up to the Government to set a level of spending in the new public expenditure survey, coupled with reforms in the way health care is provided in this country, which will allay the majority of criticisms.

The immediate outlook for the economy is attractive - more so than expected in the autumn just after the stock market crash. In 1988, the economy is expected to grow by 3 per cent and inflation to rise no higher than 4 per cent by the final quarter of the year. If the Treasury is right about the balance of payments outlook, Britain's trade figures do not look like proving the Achilles Heel that once seemed likely.

A good Budget, however, is directed more at the longer term reforms necessary to revive Britain's economic performance than at the immediate prospects. By that test yesterday's Budget made valuable progress.

## THE CASE AGAINST EXECUTION

The Prime Minister's intercession on behalf of the "Sharpeville Six", through the proper channel of the British Ambassador in Pretoria, indicates the magnitude of the risk President Botha has taken with international opinion. In ordering the executions, he has come into direct conflict even with Mrs Thatcher, who is regarded by many as the foreign statesman most in sympathy with his gradualist approach to reform in South Africa.

What he neglected to realize, perhaps, was the strength of her commitment to justice before the law and to the welfare of South Africa's black population - a commitment which dictates also her opposition to mandatory economic sanctions. International opinion, however, appears to play a smaller and smaller part in President Botha's thinking. He seems now to heed only the white right wing inside his country - and nothing else.

For this reason, the case of the "Sharpeville Six" poses a painful dilemma for anyone, of whatever political persuasion, contemplating an appeal on their behalf. If President Botha's attention is fixed exclusively on the looming threat from the Afrikaner opposition, then he stands to benefit politically not only from remaining deaf to their appeals, but from making as much of a display as possible of stony obduracy.

Moreover, the more eminent the chorus of voices appealing for a reprieve, the more drawn-out the last-minute drama. And the greater the drama, the more electoral profit the National Party will draw from carrying out the sentences. The executions will, if they are not prevented, gratify whites who believe that President Botha is in the process of dismantling white supremacy.

The possibility that appeals for clemency might actually increase the likelihood of the sentences being carried out, however, is no argument for not trying to persuade the South African government to change its mind. The justice of the convictions, let alone the sentences, remains highly questionable and every effort must be made to reverse a mistake while any chance, however slim, remains to do

so. It is also important that those interested in the human rights of South Africans should take the opportunity to put on the record their verdict on the judgment which condemned five men and one woman to hang.

The six people whose execution is now fixed for Friday are the victims of a disgraceful piece of legal chicanery. The trial judge, who was later upheld by the Appellate Division of the Supreme Court, accepted that the defendants had made no causal contribution to the death of the deputy mayor of Sharpeville, who was stoned and burnt to death in 1984. They had, however, shared a "common purpose" with the rest of the mob at the scene of the murder. In effect, the judge created a doctrine which established the death penalty for merely being present at a riot at which death occurs.

Until this case, the judiciary had been one of the few bastions of independent thinking in South Africa and had overturned several attempts by the government to restrict human rights. The judgment on the "Sharpeville Six", however, raises the spectre of a system of criminal justice which has forsaken its first principle: that proof of criminal activity depends on evidence of the act or of the intention to commit it. Such a judicial system hardly deserves the name. It is little more than a charade designed to deter and intimidate - terror tailored to the purposes of the State.

The case for mercy made by the British and other governments should rest on this legal point. There is still time, before Friday, for the executions to be called off.

If the hangings go ahead nevertheless, the case takes on wider significance - for they are unlikely to be the last of their kind. So long as the government sees its important dialogue only with its white critics on the political right and sees relations with the blacks only in terms of deterring political violence, its black critics will be disinclined to take part in any kind of discussion on their own account. A few days before the 28th anniversary of the Sharpeville massacre, they may not see much virtue in patience.

## War memorials

From Mr Trevor Wells  
Sir, The Matfield branch of the Royal British Legion makes itself responsible for the maintenance of the village's war memorial, of which we are proud. There must be many other branches of the legion who perform a similar service.

Here, surely, lies the machinery to meet Mr Alan Borg's plea (March 5) for a national inventory of war memorials. I am confident that a call from RBL headquarters, issued with one of its monthly circulars to all branches, for a return listing and reporting on the condition of the war memorials in the district covered by each branch (and any adjacent district without a branch) would meet with an enthusiastic and willing response.

All that would then remain is the collation of the data: perhaps the Imperial War Museum could undertake this, possibly supported by a donation from each branch making a return? The call could be repeated every few years to keep the records up to date - and to encourage maintenance!

This would not only meet Mr Borg's appeal but would also give, in the few cases where it is needed, stimulus towards the proper upkeep of these symbols of sacrifice, duty and community.  
Yours faithfully,  
TREVOR WELLS  
(Hon Secretary, Matfield Branch, The Royal British Legion),  
Weirfield Cottage,  
Matfield,  
Tonbridge, Kent.  
March 5.

## Vanishing breed

From Mrs Stella A. Walker  
Sir, Alas it is not the vanishing resident roadman who is responsible for the disappearance of primroses in our country lanes (letter, March 8); the fault lies with the regular arrival every spring of thousands of urban visitors who pick every bloom within sight so there are no flowers left to seed.

In addition they come armed with trowels and the plants themselves are often pillaged. A horticulturalist last year brought the reply, "But they're only wild flowers!" At times I despair of the human race.  
Sadly yours,  
STELLA A. WALKER,  
Watermill Farm,  
Rushlake Green,  
Heathfield, East Sussex.  
March 8.

## Points of dispute with the taxman

From Mr D. G. Goldberg, QC  
Sir, The Chairman of the Board of Inland Revenue's reply (article, March 11) does not deal with the important issues raised by your recent series ("The hidden powers of the taxman", Spectrum, February 29; March 1-4).

First, there is widespread concern at the way in which the tax system is being administered: Revenue excess, once unusual, is believed now ordinary. It is no answer, especially not to responsible advisers who complain of excess, to say that it does not happen; if, as now, Revenue conduct is regarded, across a broad spectrum of professional opinion, as not acceptable, there is clearly excess.

Secondly, the complaint is not that the Revenue are successfully collecting tax which is properly due: it is that there are cases in which taxpayers, faced with the burden of disproving the claim, with the financial and emotional cost of a dispute, and now with the Revenue's current tactics, pay tax which they do not owe.

Furthermore, these tactics are not truly efficient: they create demand for staff in the private sector and so cause staff shortages at the Revenue. Those shortages aggravate the Revenue's difficulties in achieving good administration and are, as your newspaper reported recently, responsible for significant losses of tax.

Thirdly, the taxpayer has no remedy for the loss suffered when the Revenue make a bad claim; complaints to the board are not

effective since it is under certain pressure to support its staff and because there is, within the Revenue, general satisfaction at the position.

Fourthly, the Revenue claim to need wider powers. However, as the burden of proof is usually on the taxpayer and the police can and should investigate crime, this claim needs to be scrutinized with a very jealous eye: powers should not be granted unless it is clear that they will be exercised with a high degree of responsibility.

Until 1964 our statutes imposed a penalty on inspectors of taxes who behaved venally; there is a very great need for a similar provision now coupled, perhaps, with a review body composed of or including taxpayers and their advisers, to hear complaints against the Revenue.

The Revenue can hardly object to provision like that, given their belief that they behave with great responsibility; it would go some way to ensuring a proper balance between citizen and State and a long way towards restoring confidence in the administration of the tax system.

The Finance Bill, which may include wider powers for the Revenue, will shortly be debated; the time is accordingly right for your paper and other interested parties to campaign for this essential provision.

Yours sincerely,  
DAVID GOLDBERG,  
Gray's Inn Chambers,  
Gray's Inn, WCI.  
March 14.

## Care and support for cathedrals

From the President of the Council for British Archaeology  
Sir, Anglican cathedrals in England are exempt from most of the effects of listed building control, and from aspects of ancient monuments legislation. Cathedral chapters have access to a national Cathedrals Advisory Commission, but they are not obliged to heed its views.

In 1980 the Church of England set up a commission to consider how the Church should regulate the care and adaptation of the buildings that it uses for worship. The commission's report was published in 1984. One of its recommendations was that a system for the mandatory control over significant works to cathedrals should be introduced. This system would be internal to the Church of England.

The General Synod accepted these recommendations. In doing so, the Synod favourably influenced those of us who were minded to be supportive of continued ecclesiastical autonomy in conservation matters. Synod requested that the commission's proposals be translated into draft legislation. This was done, and the draft Care of Cathedrals Measure - in our view a progressive piece of conservation legislation - was presented to Synod on February 10. Whereupon the Synod rejected it.

The Council for British Archaeology views this development with the deepest regret. True, the Measure was not put to the vote. It was instead sent back to the Synod's standing committee, which was invited to reflect upon the expressions of criticism (not to say misapprehensions and rhetoric) which had been voiced against the Measure in debate. Prominent among the critics was a succession of deans and provosts, all of whom had been fully consulted about the Measure at every stage.

## Faulty products

From the Director of the National Consumer Council  
Sir, Digby Anderson's article on product liability ("A different kettle", March 2), erects a non-existent bogymen to knock down - always easier than dealing with facts.

He gives the game away when he says, "The question is whether the costs of what are, by any common sense, accidents, should be passed on to whom?" This is precisely what product liability legislation is not about. The question is who should carry the costs of injury or loss caused by defective products. For any claim to succeed, the injured person has to prove first that a product is faulty and secondly, that this fault caused the injury.

## Classroom images

From the General Secretary of the Professional Association of Teachers  
Sir, Your second leader (March 5) on the need for teachers to project a professional image was particularly timely in its reference to the new initiative about to be launched to establish a General Teaching Council.

The attempt to create a professional body for teachers provides the longest-running story in the history of education in this country. Had it succeeded before now, definition of teachers' duties and responsibilities might never have become a political issue.

The arrival of statutory definition makes the case for a GTC even more urgent than before. The last thing the education system of this country needs is to have teacher performance monitored and evaluated exclusively in relation to the conditions of service specified as a result of the Teachers' Pay and Conditions Act 1987.

Since a GTC will be powerless without statutory status, one hopes for the present secretary of state's support for the principle of

The General Synod has stopped a Measure, for which it itself called, in order to retain the dubious freedom of deans and provosts to ignore good advice. By so doing it is likely that it has hastened the end of the privilege of exemption that it is so anxious to preserve.

I am, Sir, your obedient servant,  
PHILIP RAHTZ, President,  
Council for British Archaeology,  
112 Kennington Road, SE11.  
March 12.

From the Secretary of the Society for the Protection of Ancient Buildings

Sir, The recent decision by the General Synod overwhelmingly to reject proposals to introduce some degree of control over repairs and alterations to cathedrals simply cannot be allowed to pass without comment. The Cathedrals Advisory Commission exists, an invaluable guiding hand, but its role is only advisory and can be bypassed. Many deans and chapters act most responsibly, but the future of such unique survivals should not be left to a purely voluntary system.

The General Synod have shown disregard for justifiable public concern at the need for better supervision of building works at cathedrals.

This society has been fighting destructive proposals by cathedral authorities for 111 years. The Church of England has shown that it is not prepared to accept even modest reforms. Is it not time for the special privileges exempting cathedrals from listed building and other secular law to be removed?

Yours faithfully,  
PHILIP VENNING, Secretary,  
The Society for the Protection of Ancient Buildings,  
37 Spital Square, E1.  
March 12.

Secondly, I should not like your readers to be misled by Mr Anderson's mistaken view that the new legislation introduces "a concept strange to English law of being liable without being at fault". Responsibility may be a strange concept to Mr Anderson, but it is not to English law: sale of goods law depends on the fact that you are liable for the consequences of a breach of contract whether you are at fault or not.

It is noticeable that retailers have welcomed the new legislation; it is some producers and their agents, the only evidence of Jewish control over British newspapers that can be derived from close study of them.

Sitting on Nuremberg railway station in 1938 I got into conversation with a member of the Hitler Youth who was convinced that *die Times* was a secret weapon of international Jewry. How did he make that out, I asked. "Spell it backwards", was the dark reply.

Yours sincerely,  
RONALD GRAY,  
Emmanuel College,  
Cambridge.  
March 11.

## Mark of distinction

From Mr T. Edward Bevin  
Sir, I have just purchased a bowler hat (something I have intended to buy since the 1950s) and since wearing it I have been the recipient of a number of remarkable events.

For example, while I was cycling to my office across Hyde Park a police officer wished me a good day and touched his helmet. A young Army captain on horseback similarly saluted me. Two Japanese tourists asked if they could take my photograph and a news vendor wished me a hearty "good morning, Sir", and said he looked forward to seeing me again. All this happened in one day.  
Yours faithfully,  
T. EDWARD BEVIN,  
34 Watford Road,  
St Albans, Hertfordshire.  
March 7.

## No way out for Soviet expert

From Professor Elias Pinsky  
Sir, There has been a lot of discussion concerning the changes that have taken place in the Soviet Union. Presumably they should also affect the situation of those like myself who have been denied permission to leave the country on grounds of possessing classified information. I therefore thought it would be appropriate to bring to the attention of your readers my personal experience.

Two years ago I was dismissed from my job because of my wish to live with my family in Israel. From 1964 to 1986 I was Head of the Computing Laboratory in the Institute for Problems of Information Transmission in the Soviet Academy of Sciences. For all those years I never took part in any security work. But when in January, 1986, I applied with my wife and son for exit visa I received refusal "on security grounds". My second application in June, 1987, was turned down as well.

Suspecting a bureaucratic error, I sent a letter on December 14, 1987, to President of the Soviet Academy of Sciences G. I. Marchuk, in which I requested confirmation that my work in the Academy could not prevent me from going abroad.

On January 21, 1988, I was invited by a M. G. Kuznetsov who, acting under Marchuk's directions, told me that the special committee in the Academy found that I was still informed. He refused to tell me whom that

committee consisted of, how the decision was arrived at, and what the term "informed" could mean. Apparently I am considered not as a doctor of sciences, professor, supervisor of several research projects, but rather as a spy who having spent years inside the Soviet Academy is trying to flee to the West.

I am, therefore, left together with your readers at the position of asking: is it a gross bureaucratic error after all? Or is it a matter of policy? If the former, bringing it to the attention of your readers might help to get it corrected, and if I am let out I will write to tell you. If the latter, I am afraid we will have concern for the genuineness or otherwise of the changes. If any of the facts in this letter are thought by the Soviet authorities to be not true, the Soviet Ambassador could probably help to correct them.

Yours faithfully,  
ELIAS PINSKY,  
Chernyshevsky 2-6-102,  
Moscow, USSR.  
February 25.

## ON THIS DAY

MARCH 16 1877

Early murmurings, such as the following, were heard decades before the outbreak of Bolshevik revolution in 1917 in a city where an extravagant court and a large number of industrial workers existed uneasily side by side

## POLITICAL TRIALS AT ST. PETERSBURG

(From an Occasional Correspondent.)

ST. PETERSBURG, March 9. It appears that the sentences passed on the students who were found guilty of raising a revolt here in December last have not yet been finally settled, although the trial was brought to a close quite a month ago. The Court, in giving judgment, acted, as you are no doubt aware, with extreme severity. Of the 21 prisoners three were sentenced to 15 years' hard labour in the mines, two to ten years' hard labour in a fortress, 13 were to be exiled to Siberia, and only three were acquitted. Out of the 13 persons who were to be sent to Siberia, seven were recommended to the clemency of the Emperor, including three peasants and a girl 16 years of age. Before these penalties could be put into execution they had first of all to be submitted to His Majesty, in order that he might consider the recommendations to mercy, and then they were to be publicly read in a definite form. This proclamation of the final decision was fixed for a certain day, now passed, but nothing seems to have been done in the matter.

In a former letter I treated this attempt at a demonstration by a few students, as I think it deserved to be treated, in the light of a very ridiculous affair. The authorities took a widely different view of the case. They immediately resorted to the most severe measures, and, as might be expected, sowed the seeds of further trouble and dissension, which have already begun to bear fruit. The newspapers could not be trusted to report the proceedings as the Government wished, and they could, therefore, do no more than copy the official account given by the Government Gazette. In fact, the public were kept very much in the dark with respect to the defence, and only those who had the privilege of being present could know all that passed within the walls of the Court. Without a ticket it was impossible to gain admittance. Only 50 tickets were given away, and these were all placed in the hands of a Senator who took care to give them to none but friends. The impudent tone in which some of the students answered when under examination has been much talked of. One refused to reply to a question because he considered it too insignificant to be worth answering. Another, the son of a deacon, admitted that he had gone to the Cathedral purposefully to pray for certain well-known political offenders, but did not concur in the opinion of the Court that he had thereby done anything wrong. This was all that could be got out of him in reply to the question whether he pleaded "Guilty" or "Not Guilty" to the charge. A third, in answering the question why he opposed the police in the execution of their duty, said that his opposition to the police consisted in his having been knocked down by them. On the other hand, the majority of the prisoners stated that they had left their dwellings on the morning of the demonstration for the purpose, one of purchasing a fur cap, another in order to buy a pair of gloves, and so forth, and that they had all accidentally arrived on the spot with the most innocent of intentions.

The line of argument taken up by the counsel for the defence is said to have been quite different from that published in the official journal. Indeed, it must have been very bold, for I hear that Mr. Nekolodof, one of the advocates for the prisoners, has been sent to Volodga in consequence of allowing himself a little too much freedom of speech...





# Inverted Victoria







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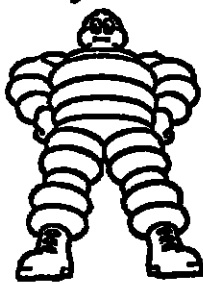
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## WEDNESDAY PAGE

# The fine art of coming fifth

Baroness Thyssen has been a fifth wife twice. Sally Brompton discovers why it is 'wonderful'

Baron and Baroness Thyssen had just flown in from Paris, and the familiarly-shaped brown paper package that accompanied them was treated with customary reverence. "Shall I open the safe?" asked one of the Baron's assistants.

For once it was not necessary. On this occasion, the carefully-wrapped package contained not another masterpiece for the legendary Thyssen collection but an empty canvas for his wife, who is teaching herself to paint.

Baron Hans Heinrich Thyssen-Bornemisza de Kaszon's fifth wife, Carmen (Tita to her friends), a former Miss Spain and widow of Tarzan actor Lex Barker, emerges as an unexpected splash of sunlight in the rarefied world of the mega-rich. The fact that she is beautiful, elegant and as highly polished as the valuable baubles that adorn her goes without saying. It is her ingenious personality and apparent lack of affectation that come as a surprise.

While the 66-year-old Baron scours the world for additions to his art collection, his wife, more than 20 years his junior, buys paintings from a beach artist in Jamaica and dashes off palm trees under "cheese-like" moons for the Baron to hang in his study.

In London fleetingly for tonight's official opening of the Royal Academy exhibition of the cream of her husband's Old Masters, presented by *The Times*, the Baroness admits that she finds their whirlwind existence something of a chore. "At the moment we spend most of our time in hotels, which is not very nice with all these houses." They have six in Jamaica, Gloucestershire, Marbella, Barcelona and London as well as the Thyssen family home on the shores of Lake Lugano.

She renovated and decorated their Belgravia house herself, with a leaning towards salmon pink décor and oriental antiques, even choosing the oil paintings which cover the walls. Showing the finished result to the Baron was a nerve-racking experience. Fortunately he approved of her taste. "We discuss everything," she says. "I am totally involved with his art collection and he asks my opinion many times. Yesterday he bought a Picasso which we chose together."

While she professes she was somewhat daunted by the prospect of marrying one of the world's richest men, which she did in a Gloucestershire register office in 1985, she adds engagingly: "I could see that he was in need of a good friend as well as a wife."

She was 18 when, as Miss Spain, she wept tears of dis-

appointment after coming third in the Miss World competition - "I was in a contest to win". A year later she married her first husband, whom she met on a plane after plucking up the courage to ask him for his autograph. He signed his name in exchange for her telephone number, and she wrote in her diary: "Today I met my husband."

When Barker dropped dead of a heart attack in a Manhattan street nine years later, she was devastated. "I loved him very much, and I still love him very much."

Among his previous wives was Lana Turner, the Hollywood actress, whose daughter Cheryl Crane's autobiography is published this week. The Baroness has yet to read the book, which contains some unsavoury allegations about Barker and his teenage step-daughter. "He was always talking nicely about her, saying she was a little lost girl," the Baroness says. "I have beautiful memories of him. He was one of the most attractive men I had ever seen in my life - perfect, like a statue. And full of fun." She keeps his photographs hidden away "because my husband gets jealous".

She met Baron Thyssen at a party in Sardinia. As their eyes met across the crowded patio "I knew at once that there was something there. Now I realize that he had made up his mind. He saw me and thought: this is mine."

The Baron's invitation to lunch the following day was accepted on condition that she could take her six friends. She stayed to dinner "and then we decided to date", but soon after the Baron announced that he was going shooting for 10 days and would not call her because he was "arranging his life". On the tenth day of their separation, he telephoned "and we haven't been apart since". His subsequent divorce from his Brazilian-born fourth wife, Denise, was conducted in the British courts.

The Baron has legally adopted his present wife's seven-year-old son, Bojja, born between marriages ("maybe I have married his father", she says mysteriously) and who, along with the Baroness and the Baron's four other children, stands to inherit part of his priceless art collection.

While learning to share her husband's obsession with fine art, the Baroness indulges her own passion for animals. She

rescued 70 stray dogs from an Italian dog pound and recently queued for three hours to get another batch from Battersea Dogs Home. She stopped wearing fur coats in public after witnessing an anti-fur demonstration and can now hardly bear to look at her sable, three minks and fox fur bought when "I was young and silly". In winter, she feeds the swans on Lake Lugano with 55 kilos of grain a day and in Gloucestershire she throws meat to the local foxes - to the bewilderment of her fox-hunting neighbour, the Duke of Marlborough.

She insists that her glittering lifestyle is not all that different from the days when she was

married to Barker. "I mix with the same kind of people, go to the same kind of parties." She is still an inveterate auto-graph-hunter and sticks the letters that her husband receives from famous people in a special album. Recent acquisitions include missives from Princess Margaret, Henry Kissinger and the King of Spain.

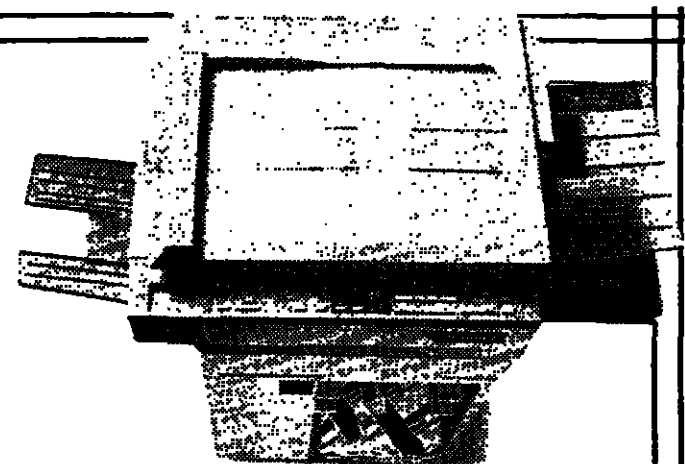
Jetting around the world in their private aircraft, she and the Baron play cards, but never for money - "what's the point?"

She is diplomatic about her husband's reputation for collecting wives. "I think it's wonderful. A man who looks for love has my respect. Everybody has a past in their lives. His ex-wives own the past and I own the present. Besides, I was my first husband's fifth wife, too, so I'm used to being the fifth wife."

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Agreement and approval: the Baron and Baroness Thyssen-Bornemisza. "We discuss everything," she says



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## Print from a palace

Lady Henrietta Gelber, daughter of the 11th Duke of Marlborough, did not grow up in Blenheim Palace, but Blenheim and its surroundings have provided the inspiration for much of her work. Lady Henrietta, who attended the Inghel School of Design, set up Woodstock Designs, an interior decorating business, eight years ago in the shadow of the ancestral pile, in partnership with Zoe Westrepp. The Duke is listed as the third director of the more recent fabric and wallpaper company, Spencers-Churchill Designs, and such names on the notepaper undoubtedly help. But the designs are good enough to stand on their own. Harrods will be launching her new Blenheim collection next month with chintzes at £16.95 a metre plus VAT, and linen unions at £18.25. "The Blenheim collection was inspired by the watercolours of the fifth Duchess," Lady Henrietta says, and fortunately the lady was prolific enough to be the muse for several more ranges if the look proves profitable.

## Quote me...



"My daughter was very nasty to me in her teens. Her mouth used to curl in disdain whenever she saw me. And she would shout a lot and scream and tell me what a bad mother I was, which made me feel bad, because I am. But I think every girl growing up has to differentiate herself from her mother, grow up into her own independent person." Sheila Kitzinger

## BRIEFLY

A round-up of news, views and information

### Fans of the fichu

Forget all those expensive designer fashions shown to press and buyers around the world. The runaway success of London Fashion Week, though never spotted on a runway, was a simple scarf that costs £7.99 at Marks & Spencer (shown on *The Times* fashion page on February 16). The distinctive navy chiffon with white spots was tied more ways around more influential necks than scarves by Hermès, Richmond/Cornejo and Jasper Conran put together: some wore it, most fashionably, as a fichu, others as a shawl, still others as a cravat - and one even improvised a sling with it for her injured arm.

### Think therapy

A good psychotherapist costs money these days, so someone was bound to come up with an idea to cut out the middleman. *Do-It-Yourself Psychotherapy* (published tomorrow by Optima) professes to provide a real alternative to formal psychotherapy - and for only £4.95. Critics would argue that you would need to have your head examined to consider it. Written by Dr Martin Shepard, billed as "a well-known and respected authority on psychotherapy in the United States", it has a recommended price of \$17.95 in Australia and \$22.99 in New Zealand - perhaps the cost of psychotherapy is even higher there. Foreseeable traumas, from conception to death, are tackled with suggested exercises: "Write a short composition on the very worst things that can happen if you are rejected..." The book concludes with a solemn suggestion to "meditate on death daily to give life more meaning".

Victoria McKee

# WHEN YOU'RE PAYING £18 A SQUARE FOOT, EVERY INCH COUNTS.

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## MEDIA &amp; MARKETING

## The dinosaurs of television

## OPINION

Harold Lind

The dinosaurs, according to popular legend, was a fascinating creature. Because of its gigantic size and pea brain, it was a little slow on the uptake. If you lit a fire under its tail, nothing would happen for about five minutes, and then, without moving its back, it would proceed to demolish the countryside around its headquarters.

Sadly, the dinosaurs are now extinct, but many advertisers who are still extant, provide an insight into the thought processes of the great beasts.

British advertisers are understandably annoyed by the rapid increase in the real costs of buying television time, and more so by the feeling that the contractors are raking in their money without displaying appropriate deference for the largest.

The advertisers point out, quite accurately, that the independent television companies benefit from a Government-imposed monopoly allowing them to be the sole sellers of time on both ITV and Channel 4 in any particular region. From there, it is only a small step to argue that the solution to all these problems would be the injection of competition for advertising into the television set-up.

Since the Peacock Committee voted advertising on BBC1, the advertisers have put forward a number of alternative possibilities. These include the independence and competitive sale of time on Channel 4, the establishment of a new terrestrial network, Channel 5, and the encouragement of cable and satellite channels dependent on advertising.

The Government, which salivates to order on hearing the word "competition", seems entirely in agreement with this line of argument. After all, everyone knows that competition in a free market brings down prices and makes sellers more amenable. But sadly, the world is rarely as simple as one would believe

from a cursory reading of someone who once read selections from the works of Adam Smith. The snag is simple. What has

raised the price of TV time is not the monopoly of the TV companies, nor even the shortage of time on offer — that has more than doubled in the last six years. The problem is that most advertisers and their agencies can only reach their marketing targets by contacting large audiences, and in practice this means peak-hour advertising on Channel 4 at any time are rarely more than a fraction of those on ITV peak hours, and one of the few certainties is that any new media will, for a long time to come, have even smaller viewing figures than Channel 4.

At present, serious buyers of television time tend to negotiate with the sellers about their peak-time allocation, and use the remainder as a make-weight, so that both buyers and sellers can end up looking good to their respective masters.

This gives ITV major advantages over any competition for the foreseeable future and offers little reason to believe that the sellers will need to cut their prices.

This argument is not pure theory. An examination of the position in the USA, with its great proliferation of TV channels, shows that the three networks, and particularly the leading one, still call the tune as far as advertisers are concerned.

There are ways in which advertisers could do something to spend their money more effectively on television and to keep the TV contractors on their toes. TV time could be bought more efficiently both at a regional level and in ways to reach desirable population sub-groups. But advertisers find it takes less mental effort to talk about competition than to think about efficient buying.

Harold Lind is a media consultant.

## Admen find a New Woman

What does Black Magic have that Gold Blend is missing? A pitch that successfully appeals to the more confident, less aggressive post-feminists, reports Caryl Bowen-Jones



On the right road: the New Woman can be seen as the passenger in her Renault 5, in this ad from McCormick



Hits and miss (from left): Gold Blend (miss) from McCann Erickson, Red Mountain and Black Magic (both hits) from Still Price Court and JWT



social typecasting is making a foray on to the small screen. One of the problems is that there is no simple visual shorthand akin to the enormous windows/car phone/"mean chic" of the New Men ads. In under 60 seconds, she has to strike the right balance between femininity and assertiveness, professional success and emotional depth.

The best examples around at the moment — Renault 5, Black Magic and Red Mountain — nevertheless share some common traits. Unlike her male counterpart, the New Woman is never shown at work, but clearly has a job and is clearly good at it. Casting is key — she's scarcely the girl next door, but she's certainly not expecting things to happen after

a Badesas bath. The product she's being used to sell does not assume an unnatural importance in her life. Her personal relationships may be gently abrasive or turbulent, but always basically happy.

In the Renault 5 example, his car won't start on the way to work, so they go in her Renault 5. He drives, she ribs him about his car, and sprays herself with scent as they go. "The power broking woman would have been driving the car — this one doesn't have to," observes GKG planning director, Kitty O'Hagan, who has made a special study of women's responses to advertising.

The Black Magic girl is incredibly feminine, passionate, obviously works, and probably pays at least

half the mortgage on the flat from which he's ejected in the course of a row. Her Red Mountain counterpart maybe moves like the girl next door, but if she can give her friends instant coffee, it's because she's so relaxed about life.

So when is the New Woman not a New Woman? When she tries too hard, when she's too aware of what she's achieved, or when she masquerades as a New Man. The heroines of Midland Bank's Vector account, Nescafe's Gold Blend, and another Renault commercial, for the 25, might not be getting it right.

In the Vector example, he comes home late from work to find that she's taking off on her own, leaving him with a freezer full of sand-

wiches. "It's contrived," Phipps says. "You're meant to be surprised that she's not sitting waiting at home." Similarly, the Gold Blend heroine wears her New Womanhood a little too openly. When she pops next door to borrow some coffee she may be able to flirt, but when she goes back to her dinner party she has to sit at the head of the table.

In the Renault 25 commercial, she turns the tables by landing a job complete with flash company car and mobile phone. It's meant to be tongue in cheek, but O'Hagan says: She's playing the New Man at his own game when she's not in control and she doesn't satisfy the criteria of the New Woman.

## CREATIVE, MEDIA &amp; MARKETING APPTS

Continued from page 24

## Editor

Thinking of making a career move? Let us guide you in the right direction.

We could not have become the world's largest motoring organisation without having kept a clear overall picture of our aims constantly in view. And we could not have maintained our success and reputation for professionalism in a variety of fields, including publishing, without having paid continuous attention to detail. It is the combination of these traits in our publishing personnel which has led to the high regard in which our publications are held, and we are now seeking an Editor, to be based in Basingstoke, who is able to demonstrate these same qualities.

Reporting to the Chief Editor, you will be responsible for planning features and articles for annual guidebooks, personally researching information where necessary. You will be expected to keep abreast of all new developments in the market, submitting those of interest to the Head of Guidebook Publications, for consideration as ideas for features or books. Liaising with Design, Production and Cartographic departments at all stages of production, you will ensure the accuracy and consistency of all

written material within your area of responsibility, maintaining a high standard of quality while working within previously agreed budgets and schedules.

You must be educated to at least W level standard in English, and a relevant degree would be an advantage. Your 2 1/2 years' experience of editorial work should have proved your ability to undertake research, and naturally your written and verbal communication skills; it should also have given you a working knowledge of printing processes. You will need a current driving licence and should be mobile, as you will occasionally have to make short trips which include overnight stays.

In return, you will receive a competitive salary of c£9,565 and our full range of excellent benefits. We offer relocation assistance where appropriate. To apply, please write with full CV to the Personnel Department at the address below, or telephone for an application form on (0256) 492971, quoting reference no: 8659.

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## When it was all bad news

Hugh Stephenson considers a radical newspaper that was thrown away

Disaster: The Rise and Fall of News on Sunday, by Peter Chippindale and Chris Horrie (Sphere, £3.99) is published tomorrow

All media folk will find this detailed account of the stillbirth of a newspaper compulsive reading. It would also make a good first-year exercise for some business school on how not to run a wheelie stall.

Peter Chippindale and Chris Horrie were crew-members on the ill-fated voyage. The *News on Sunday* sank because, even as it left the shipway, it did not have what it takes to float. If it had not been for the mystery Factor X which surrounds newspapers and so often causes otherwise rational people entirely to suspend their critical faculties, the money for the launch would never have been raised and this very readable book would never have been written.

The authors have titled their book *Disaster! Perhaps Tragedy* would have been more apt. For a chance, admittedly slim, was given to those behind the *News on Sunday* to create something new and necessary in Sunday journalism. It was quite simply and irresponsibly blown.

The chance was to produce a left-of-centre newspaper, free from prejudices, stereotypes, rampant consumerism and conflicts of interests. It occurred because of the lucky coincidence of a number of factors — the advent of "new" technology and the acceptance of "new realism" by the printing unions; plus the availability of funding from the politically committed GLC and its Enterprise Board and much more from trade unions and the pension funds of friendly Labour local authorities.

Incidentally, exactly the same kinds of critical mistakes though for quite different reasons and via quite different paths, were made about the same time with two other national launches, Eddy Shah's *Today* and Robert Maxwell's *London Daily News*.

The key is this. In any other business but national newspapers (and political magazines) someone proposing a venture surveys the market, identifies a niche, estimates its

size, designs or at least describes the product for the market, produces a business plan and then decides on the best means of production for delivering the agreed goods.

Such, roughly, was the process that brought us *The Independent*. Elsewhere, though, it is regularly stood on its head. Someone has an idea — which may be visually visionary or banal, baked or half-baked. An editor is chosen and there then ensues endless discussion about what sort of newspaper the project is trying to produce. Unsurprisingly, it usually ends in tears.

*Disaster!* makes it painfully clear that the launch of *News on Sunday* was more confused by several magnitudes even than the *London Daily News* and the original *Today*. The small group with the original idea came out of alternative left politics and alternative left journalism, notably a Liver-



Signing off: Pilger wanted the old *Affair*'s standards

pool-based Trotskyite group called Big Flame. The unions, in their Thatcherite Siberia, were prepared to pay for an organ that was not permanently hostile to organized labour. As the party expanded, some wanted a radical *Guardian* on Sunday; some a radical *Mail on Sunday*; some a left wing *News of the World*, and the early-leaving John Pilger wanted to re-create the values of the old *Mirror*, as he remembered them from his journalistic youth.

With that cacophony, with the best will in the world, what hope was there? As *Disaster!* has made clear, good will was also quite often missing.

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● Hugh Stephenson is professor of journalism at City University.

## BYLINES

## Slow arm of the law

Granada Television reporter Andrew Jennings has yet to get even an acknowledgement following a letter to Home Secretary Douglas Hurd complaining that he was put under surveillance by the police while researching a documentary on corruption in the Met.

The documentary, originally made for the BBC, was never broadcast following approaches by the police, but was remade for Granada and transmitted in November 1986.

Jennings says the surveillance was a waste of police resources and harassment of a responsible journalist carrying out legitimate work in the public interest. He also believes the case raises serious issues about the role of the Police Complaints Authority.

He first wrote to the Home Office on January 6 and has since sent two reminders. "The letter raises a number of detailed points which we are considering," said a spokesman. "We hope to send Mr Jennings some sort of reply fairly soon."

## Sticky business

*Stationery Trade News* (circulation 8,500) is appealing this week against libel damages of £300,000 plus costs, said to be the third highest in British legal history, awarded against the magazine earlier this month. The case, brought by envelope manufacturers Charles Freeman, followed an article in 1984 about counterfeit stationery from abroad being dumped in the UK. "The damages are so nonsensical as to be ludicrous," says STN's publishing director John Whittle, who says his tiny company (which also publishes *DIY Superstore* and *Office Secretary*) will need refinancing if the damages are upheld. "We now have libel insurance," he adds, "but we didn't at the time the incident occurred."

## Court pay battle

There are still some journalists who have not been paid following the demise of Robert Maxwell's *London Daily News*, and one casual worker has even resorted to legal action in the small claims court to exact payment for shifts he was contracted for but could not work because the paper had closed. The pre-trial hearing is next Monday, and informed legal opinion suggests he has a good chance of getting the money.

## Is Eddy ready?

The pundits may be downbeat about the prospects for Roger Bowes's new paper, *North West Times*, but that is nothing to their scepticism about Eddy Shah's planned assault on the crowded popular tabloid market, *The Post*. "Erring on the side of imprudence," says analyst Terry Connor of James Capel, "Likely to make *Today* look like a fantastic success," says consultant Harold Lind. Only former Standard editor Charles Wintour believes Shah stands a better chance this time, having mastered the technology, though even

Nick Higham











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A personality plus PA is required to assist the Managing Director in the day to day running of the company. The PA will be responsible for the day to day running of the company. The PA will be responsible for the day to day running of the company. The PA will be responsible for the day to day running of the company.

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Carole Love,  
Personnel Assistant, CBS Records,  
17/19 Soho Square, London W1V 6HE

## CBS

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The Society is professional body whose 8000 membership embraces the country's most eminent designers and design consultancies.

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You must have excellent secretarial skills, organisational ability and be capable of seizing initiative.

Telephone for an application form, or send your CV, to Susan Hirst, Assistant Director, The Chartered Society of Designers, 129 Bedford Square, London WC1B 3EG; 01-631 1510

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# THE TIMES INFORMATION SERVICE

This selective guide to entertainment and events throughout Britain appears from Monday to Friday, followed on Saturday by a preview of the week ahead.

Items for inclusion should be sent to The Times Information Service, PO Box 7, 1 Virginia Street, London E1 9XN

**BOOKING KEY**  
★ Seats available  
★ Returns only  
(D) Access for disabled

## THEATRE

### LONDON

★ **ABSOLUTE HELL:** Revised version of Roddy Arden's censored play *The Pink Room*, set in a drinking club at the end of World War II. Orange Tree Theatre, Kew Road, Richmond (01-840 3533). Tue: 7.30pm, Mon-Sat 7.30pm, mat Sat 2.30pm, (Mon-Fri) £2.50-25.

★ **THE BEST OF FRIENDS:** Dramatised correspondence between Shaw, a Lady Abess, and the director of the Elizabethan Museum. Brings Glend back to the West End stage. Until April 2. Apollo Theatre, Shaftesbury Avenue, W1 (01-437 2553). Tue: Plocecity Circus, Tues-Sat 8pm, mat Sat 5pm, £5.50-15.

★ **COUNT RAKOWSKY AND THE ZAGROSKI MINE TROUPE:** Satire on recent Polish history performed by the English-based Theatre of Poland. Gate Theatre, Prince Albert Park, 11 Pembroke Road W11 (01-229 0706). Tue: Notting Hill Gate, Mon-Sat 8pm, £4.

★ **CYMBELINE:** Harriet Walter is a radiant Imogen in Bill Alexander's fine Stratford production. The Pit, Barbican Centre EC2 (01-538 8891). Tue: Barbican/Moorgate/ISI Paul's. Preview from 7.30-10pm. Opera Mar 22, 7.30-10pm. Then in rep. £3.50-10.

★ **HOLY DAYS:** US season continues with Sally Nemo's play set in the Kansas dustbowl of the mid-30s. Solve Poly, 16 Riding House Street W1 (01-636 9050). Tue: Oxford Circus. Preview tonight and tomorrow 8pm. Opera Mar 22, 7.30-10pm. Then Mon-Sat 8pm, £2.75-24.50.

★ **NANA:** Shared experience's vigorous production of Zola's tale of decadent abandon in the de la Madeleine. Nana Theatre, Fiddle Dock EC4 (01-236 5568). Tue: Barbican/Moorgate/ISI Paul's. Preview from 7.30-10pm. Opera Mar 22, 7.30-10pm. Then Mon-Sat 8pm, £2.75-24.50.

★ **SOUTH PACIFIC:** Gemma Craven and Emily Belcourt in magnificent staged revival. Prince of Wales Theatre, Coventry Street W1 (01-436 5989). Tue: Barbican/Moorgate/ISI Paul's. Preview from 7.30-10pm. Opera Mar 22, 7.30-10pm. Then Mon-Sat 8pm, £2.75-24.50.

★ **WANTED:** Michelle Wandor tackles the theme of surrogate motherhood with a cast that includes the 69-year-old Sarah from the Bible. Drift Hall, 18 Chancery Street WC1 (01-837 8270). Tue: Gaudy Street. Wed-Sun 8pm, £4.50-25.

★ **LONG RUNNERS:** Beyond Reasonable Doubt: Queens Theatre (01-734 1166). ★ *The Business of Men*: Maudslayi Theatre (01-823 3036). ★ *Cats*: New London Theatre (01-405 0072). ★ *Chances*: Prince Edward Theatre (01-734 8951). ★ *Follies*: Shaftesbury Theatre (01-379 5389). ★ *42nd Street*: Drury Lane Theatre (01-836 8108/910). ★ *Kiss Me Quick*: Savoy Theatre (01-836 8888). ★ *Les Liaisons Dangereuses*: Ambassadors Theatre (01-836 6111). ★ *01-836 1171*. ★ *1610*

★ **WORD-WATCHING**  
-Answers from page 32

★ **PAXWAX**  
(a) The strong tendon in a animal's neck, originally from the Old English (Anglian) *fax* and *weax* to grow.

★ **PAYESS**  
(c) The Hebrew word for the long sideburn locks worn by Orthodox Jewish men.

★ **DOSSER**  
(a), (b), and (c), the first two from the Latin *dossere* a back; (c) from *de* or *but*, perhaps *omni*, and under the influence of *de*, *de*, and *de*.

★ **PANTARBE**  
(a) A failed Greek goddess who failed to shine in the sun and act as a magnet for gold, the stone of the sun, from the Greek *panthar*.

★ **OUT OF TOWN**

★ **ABERDEEN:** ★ *The Government Inspector*: Anthony Quayle plays the provincial Mayor and Paul Rhys the fake inspector in *Compass*. Theatre 01-240 7913/4. ★ *Los Miserables*: Palace Theatre (01-434 9509). ★ *The Moonstruck*: 1443. ★ *Phantom of the Opera*: Her Majesty's Theatre (01-839 2244). ★ *Run For Your Wife*: Crieson Theatre (01-430 3215). ★ *Servants of the Lord*: Theatre (01-836 3028). ★ *Starlight Express*: Apollo Victoria (01-828 8865).

★ **FARNHAM:** ★ *The Father*: Rachel Kempson makes a first appearance at the theatre named after her husband, playing the Nurse in Strindberg's chilling drama. Redgrave Theatre, Brightwell (0252 715301). Tue-Sat 8pm, £5.50-15.

★ **QUINCE:** ★ *A Family Affair*: Cheek by Jowl's touring production of *Strotsky's* satire on grasping Russian merchants. Stahl Theatre, West Street (0832 73830). tonight 7.45pm, £4.

★ **BARFLEIGH:** ★ *Charles Bukowski* wrote the script for this humorous, semi-autobiographical look at life in a seedy Los Angeles bar. With Mickey Rourke as a self-styled poet of the bottle, and Faye Dunaway as his equally alcoholic companion (99 min). Absolute Filmhouse (01-730 2636). Progs 2.00, 4.00, 7.00, 9.25. Cannon Haymarket (01-839 1527). Progs 1.45, 3.55, 6.15, 8.35. Cannon Cinema (01-836 0310). Progs 2.00, 4.00, 6.20, 8.35. Cannon Pinner (01-438 4470). Progs 1.40, 3.45, 5.50, 8.05, 10.10. Cannon Richmond (01-81-224 3520). Progs 2.40, 4.40, 7.00, 9.00.

★ **DRAGNET:** ★ *Loish attempt to parody the Pits TV police series, with Dan Aykroyd and Tom Hanks. Directed by Tom Mankiewicz (106 min). Metro (01-437 0757). Progs 3.00, 5.00, 7.00, 9.00. Cannon Baginwater (01-229 4149). Progs 1.10, 3.10, 5.10, 7.10, 9.10. Cannon Edgware Road (01-723 5901). Progs 1.50, 4.05, 6.20, 8.30. Cannon Fulham Road (01-370 2656). Progs 2.00, 4.30, 7.00, 9.25.*

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★ **NO END:** ★ *Poland's martial law comes under the microscope in this striking drama by Krzysztof Kieslowski. With Grazyna Szapolska as the grieving wife trying to pick up the pieces after the death of her husband, a committed lawyer (Jerzy Radziwicz) (108 min). Cannon (01-837 8402). Progs 1.50, 4.10, 6.25, 8.45.*

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## Breaking a hallowed mould

Since it was formed in Seattle 15 years ago the Kronos Quartet has, in terms of platform department, apparel and above all repertoire, quite aggressively contradicted the normal expectations of such tradition-hallowed ensembles. Most string quartets play an overwhelmingly 18th and 19th-century repertoire, but the Kronos team insists on performing only music composed in our own century. Their large wardrobe has been designed by members of the San Francisco Ballet Company and their large repertoire includes 150 pieces they have specially commissioned; in addition they have also received over 3000 unsolicited manuscripts. In keeping with their iconoclasm, the Quartet's dedication to contemporary works bypasses the usual boundaries of pieces by such jazzmen as Ornette Coleman and Thelonious Monk. Certainly the Kronos repertoire is international, and during their first UK tour, for the Arts Council Contemporary Music Network, starting at the Queen Elizabeth Hall tonight, they juxtapose the Hungarian Bartok's Quartet No 3 with Quartet No 8 by Peter Sculthorpe of Australia. Pioneer American minimalism is represented by Terry Riley's *Conquest of the War Demons* and jazz will be heard from in the Kronos version of Monk's *Round About Midnight*. Queen Elizabeth Hall (01-928 3191, 01-928 8800), 7.45pm, £5. Max Harrison

★ **SPACEBARS (PG):** The time for a parody of Star Wars has long since passed, but Mel Brooks brings back the comedy with *Spacebars*. With John Candy, Rick Moranis, Brooks himself, and a scattering of amusing sight gags (98 min). Progs 1.15, 3.45, 6.15, 8.45.

★ **WISH YOU WERE HERE (15):** David Leland's poignant comedy about a teenage girl's sexual adventures in a drab suburban town. Directed by Tom Mankiewicz (106 min). Metro (01-437 0757). Progs 3.00, 5.00, 7.00, 9.00. Cannon Baginwater (01-229 4149). Progs 1.10, 3.10, 5.10, 7.10, 9.10. Cannon Edgware Road (01-723 5901). Progs 1.50, 4.05, 6.20, 8.30. Cannon Fulham Road (01-370 2656). Progs 2.00, 4.30, 7.00, 9.25.

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★ **MURAL'S GONDWANA:** Edwin Ruzbuzh conducts the Royal Northern College of Music, returning to the opera with a new cast of students and David Jordan conducting. RNCM, Oxford Road, Manchester (061 273 4504). 7.10-10.30pm, £3.50-25.50.

★ **IL SERAGLIO:** Opera 80's neat and effective travesty production, now conducted by Stephen Barlow. Theatre Royal, Cuckfield, Lincoln (0522 25565). 7.30-10.30pm, £2-7.

★ **LEODASAL LUNCH:** Peter Leacock conducts the Leodasali Ensemble in *Burkhardt's* *Nights* soli schied von der Liebe Gottes Cantata, which is instantly followed by Correll's *Two Sonatas* Op 1 No 5. St Anne and St Agnes, Gresham Street, London EC4 (01-373-5556). 1.10-1.50pm, free.

★ **ALL BEETHOVEN:** The Primavera Chamber Ensemble plays Beethoven's String Trio Op 9 No 3. St Martin-in-the-Ludgate, Ludgate Hill, London, EC4 (01-248-6054). 1.15-4.45pm, free.

★ **JOHN'S ENERGY:** In the 'New Generation' series of organ recitals Keith John performs his own Rhythmic Energy, Kikita's Rhythmic Energy, and a March from the Love of Three Oranges, and Mussorgsky's Pictures at an Exhibition.

★ **ANTHONY BYRNE:** This pianist offers Schumann's Sonata Op 22, Debussy's Images Op 22, and Liszt and Rachmaninov.

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★ **RICHARD REDGRAVE (1804-1888):** Paintings and drawings by an artist who set up over 100 art schools and was a motivating force behind the Great Exhibition and the foundation of the V & A. Victoria and Albert Museum, Exhibition Road, London SW7 (01-338 8344). Mon-Sat 10-5.30pm, Sun 2.30-5.50pm, free, until June 30.

★ **JANINA BARANOWSKA:** Recent paintings by a Polish-born modernist. The Bloomsbury Gallery, Institute of Education, 20 Bedford Way, London EC1 (01-636 8000). Mon-Fri 10-8pm, Sat 10-12pm, free, until April 7.

★ **TROPICAL FORESTS FOR SALE:** An emotive environmental issue explored in paintings by Elena Samperi and sculpture by Marisa Rueda. Art Space Gallery, 84 St Peter's Street, London N1 (01-359 7002). Tues-Sat 2-7pm, free, until April 6.

★ **CLAES OLDENBERG:** A retrospective look at the American Pop sculpture's career. The National Gallery, Lower Floor, Trafalgar Square, London WC2 (01-839 3321). 1pm, free.

★ **HISTORY OF THE BRITISH MUSEUM:** Lectures by Marjorie Caygill, of the Institution Archaeology and History Society. Camden Head Public House, Camden Passage, London N1 (01-253 6644). 8pm, 50p.

★ **YORK & DISTRICT GERMAN CRAFTS:** A collection of work by Roy Hovek "You don't know where it's going to lead". Huntingdon Room, King's Manor, York, 7.30pm, free.

★ **CAUSLEY AT 70:** Exhibition of paintings, sculpture, manuscripts and books by many great names in their fields - plus copies of poetry and prose volumes, plays, translations to celebrate the work of Charles Causley. Southgate Art Gallery, Launceston, Cornwall, until April 18. Daily, 10.30am-6pm. Free. Further information, Peterloo Poets (0822 634373).

★ **HOOK,**











Executive Editor  
David Brewerton

STOCK MARKET

FT 30 Share  
1470.4 (+10.4)  
FT-SE 100  
1839.9 (+20.4)  
Bargains  
26684 (27592)  
USM (Datastream)  
150.54 (+0.73)

THE POUND

US dollar  
1.8555 (+0.0075)  
W German mark  
3.0866 (+0.0125)  
Trade-weighted  
77.6 (+0.4)

Caird has 5% stake in Leigh

Caird Group, the property company born out of a former troubled Dundee retailer, has taken a 5.47 per cent stake in Leigh Interests, the waste management group.

Mr Peter Linacre, Caird's chairman, said yesterday that if he could use the stake "to move closer to Leigh", or play a more significant part in the waste disposal industry, he would use it.

Caird owns 1.056 million Leigh shares, of which 565,000 were bought in the market at an average price of 195p each. The other 500,000 were acquired through the purchase of William Campbell Investments (Guernsey), which received the shares through the disposal of a small waste management company to Leigh.

NatWest buy

National Westminster Bank has bought 84 per cent of Banco de Asturias, which has 63 branches in Spain's northern provinces of Asturias and Leon. Banco de Asturias, which has assets of £300 million, will become part of Banco NatWest March, a joint venture in Madrid between NatWest and Banco March.

News deal

John Menzies, the newsagent chain, is spending £35 million to buy 66 of the larger newsagents' stores belonging to the Martin Retail Group. Martin was formerly owned by Guinness, then a consortium of Australians.

Tesco chief

Mr John Gardiner, aged 51, chairman and chief executive of the Laird group, has been appointed a non-executive director of Tesco.

SUMMARY

STOCK MARKETS	
New York	2048.41 (+1.68)
Dow Jones	
Tokyo	25475.77 (+42.18)
Nikkei Average	
Hong Kong	2578.92 (+5.76)
Hong Kong	243.4 (+1.9)
Amsterdam	1358.7 (-2.6)
Sydney	
Frankfurt	1409.2 (+18.6)
Brussels	
General	4842.8 (-41.1)
Paris CAC	3367.7 (+15.1)
Zurich S&K Gen	463.2 (+4.4)
London	
FT-30 All-Share	1470.4 (+10.4)
FT-100	1839.9 (+20.4)
FT Gold Mines	243.0 (-2.3)
FT Fixed Interest	97.47 (+0.26)
FT Govt Secs	51.33 (+0.57)
Recent issues	Page 34
Closing prices	Page 35

MAIN PRICE CHANGES

RISERS	
Nat West Bank	570p (+12p)
Bass	862.5p (+15p)
Berkley Group	288.5p (+17p)
Federated Housing	155p (+11p)
W Lawrence	240p (+15p)
Scapa	87.47p (+0.26p)
Prudential	570p (+17p)
Group Group	280p (+17p)
Smileys	530p (+18p)
FALLS	
Brecon	255p (-10p)
Tice	240p (-10p)
Maclean Moore	380p (-10p)
Closing prices	

INTEREST RATES

London: Bank Base: 9%  
3-month Interbank: 8 1/8-9 1/8%  
3-month Treasury Bills: 8 1/8-9 1/8%  
US Prime Rate: 8 1/2%  
Federal Funds: 5.5-5.75%  
3-month Treasury Bills: 10 3/4-10 7/8%

CURRENCIES

London		New York	
£/\$	1.8555	£/DM	1.8555
£/DM	0.0866	£/¥	0.0075
£/FF	2.5504	£/Sfr	0.5125
£/F10	49.10	£/Yen	0.0075
£/Yen	128.65	£/Index	53.3
£/Index	77.6	£/SDR	0.74259
£/SDR	0.74259		

GOLD

London: Fixing: \$442.25 pm-\$442.20  
Silver: \$442.00-\$442.50 (\$238.00-\$238.50)  
New York: Comex: \$442.30-\$442.80

NORTH SEA OIL

Brent (Apr): pm \$14.20bbi (\$14.41)  
 10-months latest trading price

Bus. Market	34	Traded Opts	36
Stock Market	34	Money Exch	36
Foreign	34	Unit Trs	36
City Diary	35	USM Prices	36
Wall Street	36	Share Prices	36

Greenbury's chief executive role makes him likely heir apparent

Rayner names M&S deputy

By Joe Joseph

Lord Rayner has further loosened his grip on the reins of Marks and Spencer by appointing Mr Richard Greenbury chief executive officer of the group, stepping up the transition to a new generation of managers at Britain's best-known and most profitable retailer.

Lord Rayner, aged 62, will remain chairman, steering M&S's overall strategy. Mr Greenbury, who has worked his way up through M&S from junior trainee 35 years ago to joint managing director, will take over Lord Rayner's duties as chief executive - the day-to-day running of the company - and act as his second-in-command.

Mr Greenbury, aged 51, is regarded as a tough, gritty operator who meets the textbook criteria for M&S's most favoured sons: they are ideally promoted from within after starting life on the shop floor.

Mr Greenbury was made a director in 1972, joint managing director in 1978 and chief operating officer two years ago. He is also a non-executive director of Metal Box.

He was the M&S man who joined Mr Ian MacLaurin, Tesco's chairman, when the

two retailers opened their joint £32 million superstore at Brookhouse in Hertfordshire three weeks ago.

In many ways, by promoting Mr Greenbury, M&S has merely formalized the status of a highly regarded member of the team who was already at the top of the tree.

Lord Rayner, who took over the chairmanship from Lord Sieff in 1984, has long made clear that he would not stay at the helm forever.

Although his successor has yet to be decided, Mr Greenbury would now appear to be the most obvious heir apparent - pipping Mr Alan Smith, a rising young star on the M&S board who has spent the past year scouring America for suitable acquisitions.

Mr Smith headed the US scouting party that highlighted the attractions of using Brooks Brothers, the respected menswear retailer that M&S is so anxious to buy, as a springboard into the US market.

Whether the M&S empire Mr Greenbury inherits will include Brooks Brothers remains an open question.

M&S has been very clear about its ambitions to estab-

lish a firmer foothold in the US but finds its hands tied in its quest for Brooks Brothers.

Campeau Corporation, the Toronto-based retail and property group, has agreed to sell Brooks Brothers to M&S for \$770 million (£415 million) - but only if it succeeds in its hostile bid for Federated Department Stores, America's biggest department store group.

Campeau's chances of success appeared to have deteriorated further on Monday night when Federated gave its blessing to a \$5.44 billion cash-and-shares offer from RH Macy, the US stores group that has emerged as a favoured rival. Federated also vowed to do all it could to thwart Campeau.

By raising its offer for Federated from \$74.50 to \$77.35 a share, Macy's is offering \$200 million more in cash than Campeau.

None the less, many analysts feel that Campeau - which is also tussling in the US courts with Macy's over the technical terms of their rival offers - remains the slight favourite to win the battle.



Tough operator: Richard Greenbury (left) with Ian MacLaurin of Tesco recently

Opec plan to cut dollar link in prices slump

By David Young, Energy Correspondent

The volatility in world oil prices and the dollar is believed to have led the Organization of Petroleum Exporting Countries to reconsider a plan to break the link between the oil price and the dollar.

Oil prices are now more than \$4 a barrel below Opec's target of \$18 and traders in the Far East yesterday suggested they could fall even further unless Opec stepped in and called an emergency meeting to trim its official output.

In Japan, a cargo of Dubai crude was sold at \$12.75 a barrel against its official Opec price of \$17.42.

However, Saudi Arabia has said it is opposed to a meeting. Sheikh Hisham Nazer, the Saudi Arabian oil minister, said his country also did not feel an emergency Opec meeting was required, but added

that moves to stabilize the market would be made soon.

Opec is committed by a ministerial decision to investigate breaking the link between the world oil price and the dollar and has commissioned detailed reports into the suggestion from economic advisers in New York.

However, the proposals in the past centred on pricing oil in SDRs, the basket of international currencies set by the World Bank. Opec has considered the dollar as still too dominant an element.

The plan, believed to be under consideration by economic advisers, is that customer countries will be billed directly in their own currencies.

This would allow producing countries to build up foreign exchange reserves in cur-

rencies other than the dollar and also remove much of the present transparency in the oil markets. Because all transactions are dollar-denominated it is easy for traders to spot when a producing country is offering one favoured customer a discount and demand similar treatment.

The suggestion has won favour from the ICIS-LOR group which monitors all world oil trades. It said: "This would be immensely attractive to most importers, and in the short term at any rate could substantially boost producers' revenues. Probably the major obstacle to non-dollar denominated sales is the extreme conservatism of finance ministries everywhere, but the dollar's chronic weakness is going to make this approach increasingly attractive."

Some 80 per cent of the group's profits last year, from its two Hong Kong hotels, the Mandarin Oriental and the Excelsior.

EEC steps up fight over shipyards

By Colin Narbrough

The European Economic Community plans to increase the pressure on Far Eastern shipyards to obtain an international agreement to help solve the problems facing the world shipbuilding industry.

Mr Peter Sutherland, the EEC Competition Commissioner, announced the EEC intentions in the annual ship-

building lecture at the City University Business School.

He said it had been important to signal to the EEC's competitors that they could not solve their problems by forcing European yards out of business. The sixth directive on aid to EEC shipping, in place for the past year, was a "renewed vote of confidence in Community shipbuilding."

The EEC would keep a ceiling on the share of production aid, now set at 28 per cent, linking it closely to the market behaviour of the EEC's competitors.

New orders in the EEC rose by about 12 per cent last year, increasing the Community's share of world orders to 19.6 per cent from 17.6 per cent the previous year.

Factory output rising at fastest rate for 15 years

By David Smith  
Economics Correspondent

Manufacturing output in January reached its highest level since June 1979, and is rising at its fastest rate for 15 years.

The Central Statistical Office believes that the stronger growth in manufacturing output which emerged in the late summer has been maintained, with no sign of a slowdown.

The 6.5 per cent growth rate, while very strong, is still well below the peak rates recorded in the early 1970s. In early 1973, manufacturing output was growing by 14 per cent a year.

Manufacturing output is running 3 per cent above what the statisticians regard as its previous cyclical peak in the first half of 1979, but 2 per cent below the all-time high recorded in 1974.

In January, the index of manufacturing output rose by 0.2 per cent, to show an increase of 8.5 per cent on January 1987, which was affected by severe weather. In the November-January period

INDUSTRIAL PRODUCTION

	Manufacturing	Production
Jul	110.3	113.2
Aug	112.3	114.9
Sep	111.4	113.8
Oct	112.2	114.8
Nov	112.9	115.1
Dec	113.3	115.5
Jan	113.5	114.8

Source: Central Statistical Office

because the previous three months included a freakishly high August figure.

The wider measure of industrial output, the index of the production industries, fell by 0.6 per cent in January, but was up by 0.6 per cent in the latest three months, and by 4.4 per cent on a year earlier. The underlying increase is thought by officials to be about 4 per cent.

Its growth rate is below that of manufacturing because of weak energy output. Energy output fell by 2.6 per cent in January because the mild weather reduced gas and electricity demand.

But energy output is on a declining trend because of falling North Sea oil and coal output. In the November-January period, output was 0.7 per cent down on a year earlier.

New figures, combining output of production and construction industries, showed a rise of 1.3 per cent in the fourth quarter, and 3.9 per cent for last year as a whole.

Young hails new trade era

From David Watts, Tokyo

As a posse of executives representing 10 per cent of British gross domestic product scoured Tokyo for business yesterday, Lord Young of Grafton, Secretary of State for Trade and Industry, declared a new era of 20 years of harmony with Japan.

Japan, he said, was still expected to obey the rules but it was no good looking for protectionist measures to stave off any decline in industry. "The only way British industry will survive is if it meets the competition of the whole world literally on the high streets of its own country," he said.

And if there were any

immediate impediments to this new era Lord Young felt they would be overcome despite the foreign ministers' reservations about the suitability of the British Aerospace 146 airliner to Japanese airports.

Revision of the tax regime on imported whisky, he said, would be introduced whether or not the government of Mr Noboru Takeshita managed to pass through parliament a difficult overall reform of tax policy. Pressure to conform with the Gatt ruling against Japan would see to that.

Likewise he had little doubt that seats would eventually be made available on the Tokyo

Stock Exchange for the two outstanding British applicants, Barclays de Zoete Wedd and James Capel, when the opportunity arose.

The exchange says it has no plans to expand at present but the hopes of the two firms rest on possible mergers or the failure of some of the present participants in what is a very competitive market.

Japan, said Lord Young, had a particular position of responsibility to lead the world by its good example. There had been progress with the integration of Japan's economy into the world economy.

Predator shareholders 'need protection'

By Cliff Feltham

If Mr Graham Knox had his way, corporate raiders would be forced to carry a health warning advising their own shareholders: takeovers can damage your wealth.

Mr Knox, the outspoken managing director of Scottish Amicable, a leading investment fund group, believes it is time the City laid down rules to protect shareholders in companies that are fond of making expensive takeover bids.

He claims the victim's shareholders are protected from the excesses of dawn raids, unfair market practices and concert party tactics, "but in so doing we have ignored the interests of those of the predators. A new balance must be struck."

Mr Knox - widely regarded as the moral voice of the City - says some companies are prepared to pay almost any price to satisfy their acquisitive desires, which often results in a dramatic slump in their own shares afterwards.

As evidence, he points to the lacklustre performance in the shares of some British companies involved in the great takeover mania of 1985 and 1986.

From the time Sir Terence Conran's Habitat and Mothercare group merged

with British Homes Stores (to create Storehouse) in 1985 until February 23 this year the shares underperformed the FT All-Share index by just over 40 per cent.

The stock market had its doubts about the £550 million marriage between Asda and MFI (which have since arranged an amicable separation) and this cloud was reflected in a share underperformance of 30 per cent.

Burton's takeover of Debenhams was a more attractive proposition but even so the Burton share price has never recovered and the shares have lagged behind by 20 per cent since the £458 million bid was launched in May 1985.

Other casualties are Hanson, trailing by 12 per cent since its £2.6 billion bid for Imperial Group; British & Commonwealth, trailing by 16 per cent since the £670 million offer for Exor; and P&O, showing a 9.3 per cent underperformance since the £377 million bid for Stock Conversion in April 1986.

Mr Knox, in his company's latest investment report, says: "All too many managements are hell bent on aggrandisement and use or even abuse their corporate powers without any effective accountability to their own shareholders or the community at large."

"Whilst some takeovers are in the interests of just about everyone except the occasional feather-bedded management, others should be prevented."

"We all make a lot of fuss about short-termism by which the fickle loyalties of shareholders, particularly institutional ones, are criticized for taking massive profits in bid situations - what nonsense! It is the shareholders of the acquirers that are found wanting and who consequently often suffer. Sometimes they are belatedly asked by their directors for permission for an enabling increase in share capital long after strategic share stakes have financially committed the aggressor."

Mr Knox says tighter controls should be introduced on the stake which can be taken in a target company before a full-scale bid must be launched. The present limit is 29.9 per cent. He also suggests permission should be obtained from shareholders for an increase in share capital before the bidding company is fully committed. In addition, capital spending, particularly on contested acquisitions, should be made subject to shareholder consent.

Shareholders should have their say, says Mr Knox, "in the knowledge that takeovers can damage their wealth."

County Hall plan 'on course'

From Stephen Leather  
Hong Kong

Mandarin Oriental International, the luxury hotel group, is pushing ahead with its scheme to turn County Hall, the former headquarters of the Greater London Council over the Thames from Westminster, into a five-star, 550-room hotel.

Mr Peter Tyrie, the managing director of MOI, yesterday confirmed that his group was "reviewing the cost of development" of the Thames-side building, and had until April 5 to submit its tender.

He also revealed record after-tax profits of HK\$244.8 million (£17.5 million) in 1987, 29 per cent more than had been forecast in the company's flotation prospectus last year.

The group, whose flagships are the Mandarin Oriental in Hong Kong and the Oriental in Bangkok, was demerged from Hong Kong Land last April, and listed on the stock market two months later.

Mr Tyrie said then that he wanted to open up to 25 Mandarin Orientals hotels in cities round the world, and particularly in Europe and North America.

The firm opened a hotel in San Francisco last year, but has yet to make its mark in Europe. When Park Lane Hotel Group, a Hong Kong-based rival, acquired the Churchill Hotel in London at a record HK\$1.5 billion last month, Mr Tyrie suggested the price was too high.

He said his group was still assessing the viability of the County Hall project, although construction costs were difficult to calculate as occupation would not be until September 1990 at the earliest. The Hong Kong company has linked with the P&O shipping and property group to bid for the 2.25 million square foot site.

Mr Simon Keswick, the chairman of Mandarin Oriental, said: "We would like Mandarin Oriental to develop equity positions in and to manage additional hotels, both in the region and in major international gateway cities."

"Much effort is being expended by the company's senior management in seeking suitable development opportunities to ensure growth. The hotel business, however, is highly competitive, and we have no intention of overstretching our resources or compromising our operational standards in order to achieve this objective."

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Broker blames convertible securities dealing

## James Capel tumbles to £14m loss

By Richard Thomson, Banking Correspondent

James Capel, the London agency broking subsidiary of Hongkong & Shanghai Banking Corporation, lost at least £20 million in the stock market crash, it was revealed yesterday.

Figures released by HongkongBank show that James Capel made an operating loss before capital costs of £14 million for the year to December 31. This followed a "substantial" profit of around £15 to £20 million, at the end of James Capel's interim stage.

The loss caused some surprise in the City, because the broker has gone out of its way since October to emphasize that as an agency broker it did not have the same stock-market exposure as market-making firms when the crash happened.

The loss was chiefly sustained in market-making in convertible securities.

Mr Peter Quinnen, the chairman and chief executive of James Capel, said that, as

Europe's largest market-maker in convertible securities, it had suffered heavily in the crash.

"We had anticipated a fall of not more than 15 per cent in the market, but it turned out to be substantially more than this in many parts of the world where we were heavily exposed," he said.

He said that gilt-edged market-making operations had not made money during the year, while agency broking business had been operating "only just in profit" since the crash.

Mr Quinnen pointed out, however, that James Capel had higher interest charges than many securities firms, because a low capital base forced it to borrow heavily.

HongkongBank announced pretax group profits of HK\$4.3 billion (£297 million), compared with \$3.5 billion the previous year. The dividend for the year was raised from HK\$0.36 to HK\$0.38.



Rising Stock Monday: Peter Quinnen, head of James Capel

## VG beats UEI to Kevex

By Michael Tate

The £200 million VG Instruments group appears to have snatched America's biggest materials analysis group, Kevex, from under the nose of UEI, its rival British high-tech specialist.

VG has launched a \$65 million (£35 million) bid, which has already been agreed by three Kevex directors, including the chief executive officer, who between them speak for some 30 per cent of the equity.

News of the agreement was disclosed only hours after UEI revealed it had dropped its proposals, after having a second, increased offer of \$60 million rejected over the weekend.

VG, 69 per cent owned by BAT Industries, is offering \$13 a share in cash for each

Kevex share, against a revised \$12 bid from UEI last Friday.

The deal will be financed from its own resources and bank loans. The move was welcomed by the stock market, where VG shares were marked up by 7p to 40p.

VG specializes in a range of scientific instruments, from spectrometers to electron microscopes. Later this month, it is expected to declare profits of approaching £25 million for 1987 against £20.1 million previously.

UEI launched its original \$10.50-a-share tender offer last month, but last Friday Mr Michael raised his terms to \$12 a share, and flew to California to attempt to win a recommendation from Mr

Richard Frankel, Kevex's president and founder.

But Kevex continued to resist. The conditional \$12-a-share offer has been allowed to lapse, although the \$10.50 offer technically remains on the table until next Monday.

Mr Michael is convinced that anything more than \$12 is too much for Kevex. "Even on the basis of a friendly transaction on customary terms, a price in excess of \$12 per share is just too high," he said.

It was the second time in 12 months that UEI had abandoned well-publicized merger proposals. Last March it pulled out of talks with Oxford Instruments, which subsequently unveiled disappointing results in the summer.

## Corah to pass dividend after going into red

Corah, the knitwear manufacturer which sells 60 per cent of its output to Marks and Spencer, made a pretax loss of £1.75 million in the year to the end of December after a £1.76 million exceptional charge for stock write-downs.

The loss compares with a pretax profit in 1986 of £2.3 million. The final dividend has been passed giving a total dividend for the year of 1.6p against a previous total of 4p.

Corah had expected a second-half recovery but it failed to materialize because of lower-than-expected retail demand. Mr Nicholas Corah, the chairman, said that sales were slow in January and February, but were picking up as Easter approaches.

## Parnes claims payments not illegal

By Lawrence Lever

Mr Anthony Parnes, the stockbroker at the centre of the Guinness affair, is denying that payments made by the company apparently in return for supporting its share price during the bid for Distillers, were in any way illegal.

His arguments, contained in evidence filed with a Californian court which is due to hear proceedings to extradite him to Britain, are likely to be echoed by the other people who have already been charged in connection with Guinness.

Mr Parnes and five others face charges of theft and false accounting relating to payments made to parties who purchased Guinness shares during the takeover bid.

The aim of the purchases, according to the prosecution case, was to increase the Guinness share price, thereby enhancing its chances of winning Distillers from the rival bidder, the Argyll food and drinks group.

The British authorities are seeking to extradite Mr Parnes from the US to face 19 charges relating to his role in Guinness. They claim in evidence filed for the extradition proceedings that the support operation was "a sophisticated and illegal share support scheme to increase artificially the price of Guinness shares."

However, in evidence filed by the lawyers acting for Mr Parnes, he claims that "the British Government has concocted a series of charges that have as their central theory a supposed theft of money in which the supposed victim was Guinness PLC."

"That tenuous theory does not withstand scrutiny either as a matter of fact or as a matter of law," he said. "All the supposedly 'stolen' money was paid not only with the full knowledge and approval of Guinness, but also pursuant to arrangements that had been initiated by Guinness."

Mr Parnes also questions the alleged illegality of the share-price support operation.

## COMMENT

## Bets are BAT will dig deeper for Farmers

Winning Farmers Group, the US insurance concern, is going to require as much stamina as financial muscle before BAT can consider itself home and dry. In New York, the arbitrageurs are digging in for a lengthy campaign likely to be measured in months rather than weeks. The arts, who live or die by close attention to detail, are saying that the tricky process of guiding the \$63-a-share offer through the maze of regulators who have to be involved could take up to six months. Par for the course in recent friendly insurance mergers has been three to four months. As a hostile bidder based outside US shores, BAT can expect much close and detailed scrutiny.

For BAT and its shareholders, the significance of the recent purchases of Farmers' shares by arbitrageurs at up to \$61½ and the extended timetable that is anticipated, lies in the time value of money. If the arts are buying at close to the value of the current offer, are willing to finance their holdings for many months, and are also expecting a reasonable profit for their troubles, they clearly expect a higher offer. One London insurance industry watcher reckons recent buying discounts an eventual takeover price of \$70 from

either BAT, another entrant to the fray, or even a management-led leveraged buyout. Naturally the longer the affair lasts, the more the arts will be asking for an agreement to tender their stock.

BAT can do little to speed up the process beyond what it has already put in hand. It is seeking a recommendation from shareholders that Farmers management rethink its opposition to talks, and it is seeking the co-operation of Farmers in discussions with nine state insurance authorities which have a say in any change of control. BAT is for the time being unlikely to push its cause much harder during the progress of its tender offer. For it needs most of all to reach an agreed deal.

Farmers is an efficient, conservatively-run business whose top people are immensely proud of the outstanding record of annual earnings increases stretching back to the early 1930s. At present the betting must be that BAT will dig deeper into its coffers in the hope of an eventual agreement. But BAT shareholders should remember two things. BAT has the resources to take the long view. And Farmers is the kind of acquisition that would enhance its earnings quality significantly.

## The privatization business

Merchant banks used to argue that winning contracts to advise the Government on privatization issues was not very profitable business. Not too many believed them, especially as the queues of bankers making presentations for the business at the obligatory "beauty contests" seemed to swell each year. But the record of Kleinwort Benson shows why it would have been worthwhile anyway.

It had advised the Government on British Aerospace, Cable and Wireless and Enterprise Oil before taking the whole exercise into a new dimension of marketing for mass share ownership with British Telecom. When it came to the second tranche of BAE and the second and third for C&W, Kleinwort picked up the business.

Kleinwort's deputy chairman Lord Rockley, who will lead the team which will advise the Government on the sale of the electricity supply industry, explains that in the early days, there was

only one bank for the company and the Government. Even so, Kleinwort picked up good business from the newly private companies.

On the back of experience gained from the Government business, Kleinwort also picked up the company accounts for Associated British Ports and British Gas. On Lord Rockley's estimate, it takes four times as much effort in terms of men and resources to advise the Government on a big flotation than the company. That probably makes the company business a lot more profitable — as well as establishing a long-term relationship with a big company.

And advising on privatization has become an international business. Schroder has won business in Singapore, while Kleinwort has done work on two French privatization issues. Privatization is definitely worth a lot more than prestige for the merchant bank that saw the opportunities.

## Bristol group claims 53% of OIS

Mr Paul Bristol's return to the oil industry looks assured. His consortium claims to have more than half the shares in the Aberdeen-based Oils Inspection Services Group, after further purchases in the stock market on Monday.

The consortium, which also involves Mr Bristol's company, Brompton Holdings, and Sheikh Amin al-Dahlawi, and which has launched a £4.5 million bid for OIS, bought 297,534 shares at 63p each, lifting its holding to 50.1 per



Paul Bristol: returning cent. Together with valid acceptances of the 63p-a-share bid, it claims to speak for 53.09 per cent.

The recent purchases must await validation before the offer can be declared unconditional.

After successful completion of the bid, Mr Bristol, the former chairman of KCA International, will hold a 23 per cent stake in OIS, Brompton will own a further 18 per cent and Sheikh al-Dahlawi 10 per cent. Any other shares received will be placed with institutions.

## THE TIMES CITY DIARY

### Another departure from CBI

Could it be that the self-contained management style of the CBI's director general, John Banham, is ruffling a few feathers among his staff? Barely a month after one of its three deputy DGs, Keith MacDowall, departed abruptly to start his own business — it seems the vacant post is not to be filled — I hear another high-ranking official is also leaving for pastures new. Ian McCafferty, head of the important economic trends department for the past three years, will be leaving immediately after Easter to establish a European economic service for Baring Securities, the stockbroking arm of the merchant bank. "We will be covering continental Europe and the rest of the world — almost everywhere except the UK — and supplying information for analysts and clients," says the economist, aged 31, who insists: "My departure is not linked to John Banham in the slightest. Barings approached me, through a head hunter, and made me an offer too good to turn down." McCafferty, who previously ran the statistical office at the Economist, is being replaced at the CBI by Andrew Sentance, who will take on his responsibilities within the economic trends department while continuing with his existing job — as head of the economic policy department.

### Slimline tonic

Larger-than-life market man Steve Dalby, the ex-Fincham Denny partner in charge of equity market-making activities at Phillips & Drew, is no longer so large. The sportsman — a keen rugby player and cricketer at 34 — has shed almost four stones in the past two months and raised £15,000 for charity in the process. An official weigh-in at Slim Jim's gymnasium in

### Uneconomic offer

The battle for the next century's markets may be won on the playing fields of Eton — so says headmaster Dr Eric Anderson. He is quoted in an advertisement in this week's *Economist*, designed to attract an economist "disenchanted with the City" to teach A-level at his school. But with a salary, depending on age and experience, of between £10,000 and £20,000, the schoolmaster's job is unlikely to attract anyone but the

Square Mile's most junior number-crunchers. Some American investment houses are said to be offering graduate recruits as much as £25,000 a year, with the stars reportedly earning more than £250,000. "These salaries would be difficult to match," admits Anderson, "but the conditions are better." After their marathon efforts analysing the Budget last night, I should think most City economists would agree.

### Volcker cashes in

If yesterday's Budget really is to be Nigel Lawson's last, he should perhaps take note of the upturn in the fortunes of Paul Volcker — who resigned as US Federal Reserve Board chairman last August — before deciding whether to leave politics. Since leaving Washington, Volcker has more than quintupled his \$89,500 government salary — he has gone into the investment banking business on Wall Street with his old friend, James Wolfensohn, and is understood to be earning more than \$500,000 a year. Wolfensohn, in his previous life at Salomon Brothers, advised Burroughs on its merger with Sperry and helped the government bail out Chrysler, which is how he came to meet Volcker.

Wolfensohn, a cellist and former member of the Olympic fencing team for his native Australia, says: "We make a good team." Volcker, who admits he has gone from "nothing to an excess of riches," is supplementing his income still further with the professorship of international economic policy at Princeton University's Woodrow Wilson School of Public and International Affairs, where he will take one course each term.



"We are inquiring into your purchases of Guinness during the Distillers takeover"

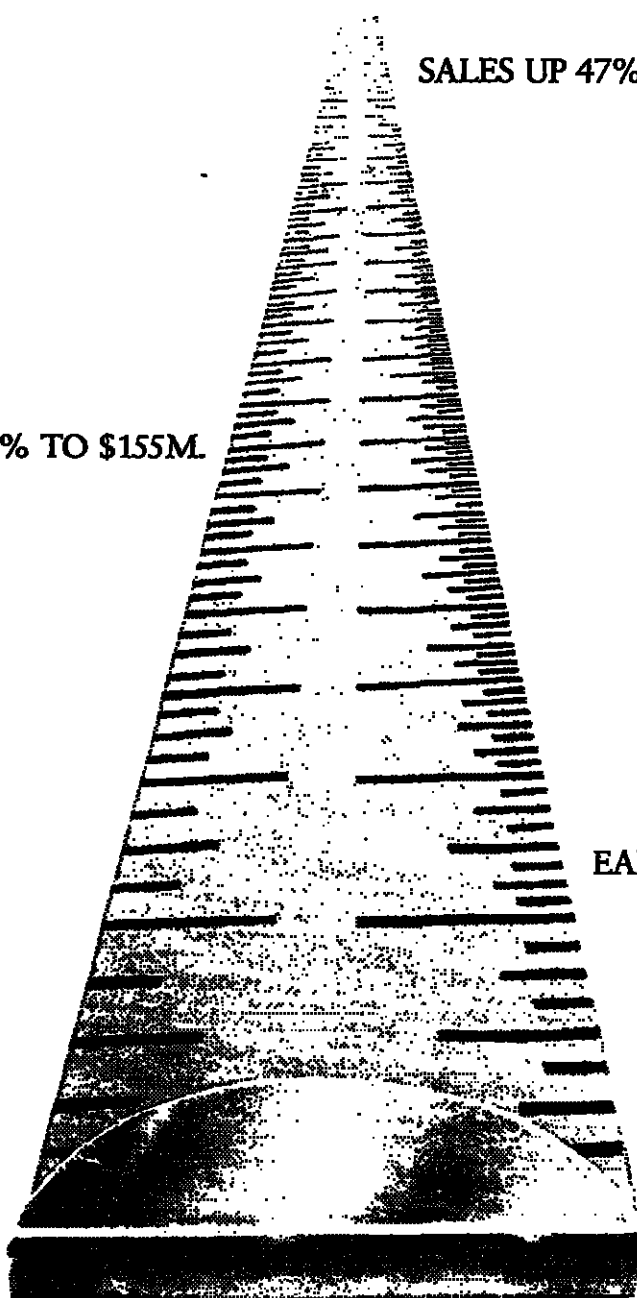
Carol Leonard

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# Hongkong Bank

The Hongkong and Shanghai Banking Corporation

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## Results for 1987

The Directors announce that the profit for the year ended 31 December 1987 attributable to the shareholders of the Bank was HK\$3,593 million (1986: HK\$3,056 million), an increase of 17.6 per cent. The profit was arrived at after providing for taxation and after making transfers to inner reserves, out of which provision for changes in the value of assets has been made.

Throughout most of the year growth in the world economy and in the volume of world trade was slow but steady. Against this background the majority of the traditional banking operations, particularly those in Hong Kong and in other parts of South East Asia, reported significantly improved performances.

In the Middle East, although most economies continued to suffer from low energy prices, profits showed a general improvement. In the United States Marine Midland Bank, in common with other leading American banks, reported a significant loss (US\$409 million) as a result of their decision to create additional provisions against loans (US\$600 million) to highly indebted developing countries. As previously announced, the Group's share of these additional provisions (US\$270 million net of tax) has been taken directly to inner reserves and they have, therefore, had no impact upon published profits. At the working level Marine Midland Bank continued to make a useful contribution to Group profits.

Performance in the capital markets businesses varied. In merchant banking the Wardley Group reported record profits and CM&M Inc, the New York based primary dealer in government securities, also had a very successful year. James Capel, the international stockbroker, traded very profitably for most of the year but was adversely affected by the October share market collapse. For the year as a whole the James Capel Group reported an operating loss before capital costs of £14 million.

During the year the Group acquired the minority interests in Marine Midland Bank, as well as a 14.9 per cent stake in Midland Bank, the UK clearing bank. These investments will strengthen yet further the Group's international banking capability in the years ahead.

The Group balance sheet continued to expand in 1987, albeit at a more modest pace. The rights issue announced last March was successfully completed, raising some HK\$3.3 billion of new capital. To restore the cost of the capitalisation issue made last April an amount of HK\$1,180 million has been transferred from inner reserves to the Reserve Fund; a further HK\$300 million has been transferred to the Reserve Fund from retained profits.

The Directors propose the payment of a final dividend of HK\$0.26 per share. Together with the interim dividend of HK\$0.56 million already paid (HK\$0.12 per share), the total distribution for 1987 will amount to HK\$1,795 million (1986: HK\$1,548 million), an increase of 16.0 per cent; thus the total dividend per share for 1987 will be HK\$0.38 (1986: HK\$0.36 adjusted). The dividend will be payable in cash, with a scrip alternative, in accordance with and subject to the Regulations of the Bank.

### Consolidated Profit and Loss Statement For the year ended 31 December 1987 - audited

1986 HK\$m		1987 HK\$m	1987 £m	1987 US\$m
3,546	Net Profit of The Hongkong and Shanghai Banking Corporation and its subsidiary companies	4,331	298	558
529	Share of net profits of associated companies	239	16	31
4,075		4,570	314	589
(1,019)	Profit attributable to minority interests in subsidiary companies	(977)	(67)	(126)
3,056	Profit attributable to the shareholders of The Hongkong and Shanghai Banking Corporation	3,593	247	463
(250)	Transfers to reserves:			
(242)	by the Bank	(300)	(21)	(39)
(1,548)	by subsidiary and associated companies	(339)	(23)	(44)
1,016	Dividends paid and proposed	(1,795)	(124)	(231)
2,271	Balance brought forward	1,159	79	149
(573)	Transfer to Reserve Fund	2,744	189	354
30	Exchange adjustments	9	1	1
2,744	Retained profits carried forward	3,912	269	504
HK\$0.70 (adjusted)	Earnings per share	HK\$0.78	£0.05	US\$0.10
HK\$0.11 (adjusted)	Dividends per share Interim (paid)	HK\$0.12	£0.01	US\$0.02
HK\$0.25 (adjusted)	Final (proposed)	HK\$0.26	£0.02	US\$0.03
HK\$0.36	Total	HK\$0.38	£0.03	US\$0.05

### Consolidated Balance Sheet details - audited

1986 HK\$m		1987 HK\$m	1987 £m	1987 US\$m
715,284	Total Assets	837,400	57,577	107,843
26,511	Shareholders - Funds	33,299	2,290	4,288

### Capitalisation Issue

The Directors also intend to recommend to shareholders at the Annual General Meeting to be held on 10 May 1988 that a capitalisation issue of shares be made in the proportion of one new share for every 10 shares then held by the capitalisation of HK\$1,181,753,670 from the reserve fund of the Bank by a charge to the Share Premium Account. The capitalisation shares will not rank for the final dividend but will rank *pari passu* with existing shares in all other respects.

### Closing of Register of Shareholders

The Register of Shareholders of the Bank will be closed from 18 April until 10 May 1988 (both dates inclusive) for the purpose of determining the identity of shareholders entitled to the capitalisation issue and the final dividend. No transfers of shares may be registered during that period.

### Prospects for 1988

The outlook for growth in 1988 is uncertain. The economies of the major industrial countries and world trade are expected to expand more slowly and inflation is increasing. The United States budget and trade deficits remain high, and recovery prospects are overshadowed by the after-effects of the October stockmarket collapse. The international banking industry's exposure to LDC debt remains a cause for concern.

In Hong Kong, where growth was very strong in 1987, there are indications that the momentum is beginning to taper off. While the general business outlook remains encouraging, some slow down must be expected in the face of faltering international demand.

The Directors nevertheless expect that the level of profits in 1988 will be sufficient to enable the Bank to pay an interim dividend of HK\$0.12 and a final dividend of at least HK\$0.26 on the capital as increased by the proposed capitalisation issue, resulting in a total distribution for 1988 of HK\$1,976 million (1987: HK\$1,795 million), an increase of 10.1 per cent.

By Order of the Board  
R G Barber, Secretary

Hong Kong, 15 March 1988

Continued from  
page 29

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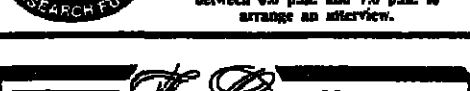
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Continued on page 40







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# DalGLISH looking only to victory as history waits

By Dennis Shaw and Ian Ross

Liverpool can, and almost certainly will, get better as they progress through their seemingly invincible pursuit of Cup and League honours.

This was the view expressed by Arthur Cox, the Derby County manager, on the eve of the Merseysiders' attempt to equal the unbeaten run set by Leeds United, who, under Don Revie, negotiated the opening 29 League games of the 1973-74 season before losing to establish a record many felt would never be bettered.

Derby will have Mickelwhite, the influential winger, back in their squad at the Baseball Ground tonight after surgery on an Achilles tendon injury kept him out of the side for seven months, but Cox acknowledges it will take more than this to halt Liverpool's march.

"If we played them 10 times, they would probably win eight and draw one. We can only hope this is the one they lose," he said. "When we played them early in the season, I said they could only get better. This has proved to be the case, but I'm sure they have not yet reached their peak."

"All I can say is that we will do our best to stop them. Realistically, we have to have every player at his peak and some even playing above themselves to hope for a favourable result. It is a classic David-and-Goliath situation."

Cox is a tremendous admirer of the Liverpool squad, but singles out Nicol as their greatest success of a season without failures.

"He may be a little unsung in the media, but I'll guarantee his part is recognized within the game," Cox added. "Everyone notices the likes of Barnes, Beardsley, McMahon and Houghton, and rightly so, but Nicol has been called upon

to play in so many different roles and has done superbly in each of them. I regard him as the complete footballer."

Will Liverpool beat Leeds' record? "They are well capable of doing so as much as we try to stop them equalling it," Cox confessed.

"The thing about Liverpool is that they won't cry if they don't do it. They're not a team who care much about records. These are incidental to winning leagues and cups, and nobody does that better."

## First division table

	P	W	D	L	F	A	Pts
Liverpool	28	22	6	0	66	12	72
Manchester Utd	31	16	10	5	48	30	58
Everton	30	15	8	7	41	18	53
Nottingham F	27	15	7	5	51	24	52
Arsenal	29	15	6	8	43	27	51
QPR	29	13	7	9	33	31	46
Wimbledon	29	12	9	7	42	32	45
Tottenham	33	11	9	13	34	38	42
Leeds	27	11	8	11	40	34	38
Southampton	31	9	10	12	28	43	37
Newcastle	29	9	10	10	35	41	37
Sheff Wed	31	11	4	16	35	53	37
Sheff Utd	30	10	6	14	30	38	36
Coventry	28	9	11	13	33	43	36
West Ham	30	7	12	11	30	40	33
Chelsea	31	8	9	14	38	53	33
Derby County	29	7	9	13	24	33	30
Charlton	31	6	12	13	21	47	28
Cardiff	31	6	10	15	31	49	28
Oxford	28	6	8	14	33	54	26
Wolves	29	5	8	16	36	53	23

A victory or a draw tonight would leave Liverpool with the enticing prospect of being able to rewrite history at the weekend, when they face Everton at Goodison Park.

Typically, DalGLISH was found to be in a somewhat subdued mood yesterday, far more concerned with the intricacies of team selection than with statistics.

"We are only going for the points. We have got a game to play first before we make any achievements at all. This record has only been mentioned by the media," he said.

"As I have said many times before, there is more to go for than a record. We want as many points as is possible. It will be a great achievement to go out tomorrow night and get

something from the game," he added.

DalGLISH did concede however, that Derby need the points as badly as Liverpool do, if for totally contrasting reasons.

"People talk about pressure, but I would think that it is greater at the other end of the table than at our end. Having said that, I have never been there so I do not know — that is just a statement of the truth," he said.

DalGLISH has delayed finalising his side until Aldridge, the Republic of Ireland international forward, undergoes a fitness test on the thigh injury which has kept him out of the last two games. A police contingent of 1,000 will keep the peace at Hillsborough, the Sheffield Wednesday ground, when Liverpool and Nottingham Forest play their FA Cup semi-final there on April 9. More than a third of the South Yorkshire force will be on duty in Sheffield on the day, when a capacity crowd of 54,000 is expected. Police hope for similar circumstances to last year's semi-final at the ground, in which Coventry beat Leeds United, when there was little trouble. "The crowd last year were well-behaved and we're sure it will be a repeat performance," Chief Supt Brian Mole, in charge of the operation, said.

West Germany has accepted an invitation to play the Republic of Ireland in a friendly match next year. After six months spent negotiating the fixture, the respective associations of the countries agreed to stage the match in Dublin on September 6, 1989. "It's a big boost for us. We feel it's a great honour to have the West Germans come to Dublin," Dr Tony O'Neill, the deputy secretary of the Irish FA, said yesterday.

## Lineker named as Charlton's worry

By Stuart Jones, Football Correspondent

Jack Charlton has singled out Gary Lineker, of Barcelona, as the one Englishman who could inflict the most damage on the Republic of Ireland in the opening tie of the European Championship finals this summer. "He will probably cause me most concern," he said yesterday.

"If I could take one player out of the England side and put him into mine, it would be Gary Lineker," Nor was that the only lavish compliment paid by the Republic's manager. He believes that Bobby Robson has more world-class individuals in his line-up than did Sir Alf Ramsey in 1966.

A member himself of the team that won the world crown, he considers four of his colleagues were gems. "Now there is Barnes, Beardsley, Robson, Waddle, who can be brilliant, Lineker, although the Spaniards may not agree, and you can throw in the goalkeeper [Shilton] as well."

A lack of consistency, he feels, is the most obvious potential setback to England's hopes of collecting a second foreign trophy. "It is how they connect together that matters. They look good one day and then you see them against Israel and you think that there is nothing there."

Although he confirmed once again that he would be "delighted" to beat his native country in West Germany, the Irishman has shaken the foundations of his plans.

For two years, he and his adopted Irishmen have been preparing themselves for continental opposition, "whose pattern is usually established".

Charlton was understandably reluctant to offer Robson too many ideas. "I think England could play the way I want them too if I don't say too much."

Yet, during a symposium in Germany a week ago, he did inadvertently reveal the attacking formation that

## More football, page 47

would make him most uneasy. A combination of Barnes and Waddle on either flank would be a prospect laced with threat.

"They are the best wide players in the world," he said then. "And they will take a lot of holding." Waddle happens, temporarily, to be out of action, recovering from a hernia operation.

Even if England do not fly on two wings, Charlton is convinced that other countries "could get a few shocks. Since the clubs are out of Europe, they haven't seen much domestic football and they also seem to be sceptical about Lineker. That is a dangerous thing to do."

Middlesbrough have strengthened their challenge for promotion from the second division by signing the Ipswich Town midfielder player, Mark Brennan.

## Kamara on assault charge

Chris Kamara, of Swindon Town, will be the first Football League player to be charged for a pitch violence following his alleged assault on Jim Melrose, the Shrewsbury Town forward, if convicted. Kamara could be jailed for up to six months or fined £2,000.

He has been summoned to appear before Shrewsbury Magistrates' Court on April 14 to face a charge of grievous bodily harm. Shrewsbury police investigated the incident and sent a file to the Crown Prosecution Service, who have now decided to prosecute the midfielder player.

The action follows an incident last month when Melrose suffered a broken cheekbone. Kamara, aged 30, is alleged to have flattened his opponent just after the final whistle, after Swindon had lost 2-1.

Kamara was fined £1,000 and banned for a month by his club and is facing Football Association charges of bringing the game into disrepute. Melrose has not played since the incident on February 20. The Shrewsbury manager, Ian McNeil, said: "We are delighted there will be a court case. We have got to stamp out soccer violence or all hell will be let loose."

Kamara's club suspension runs out on Saturday, but it is still not known whether Lou Macari, the Swindon manager, will pick him against Manchester City.

## Celtic Shot shows the field a clean pair of heels



Ahead by a couple of hooves: Celtic Shot shoots in front of Classical Charm as they go over the Champion Hurdle's last flight

## A shot in the arm for Winter

By Andrew Longmore

And the star of the show was not there to see it. Fred Winter was back at home in Lambourn, watching Celtic Shot struggle up the interminable Cheltenham hill to gain the trainer's fourth Champion Hurdle victory. It must have seemed like a lifetime.

In the stands, though, his daughter Joanna was making enough noise for all the family. "I've never screamed so much in all my life," she said. "I think the whole stand must have wondered what the matter was. I just can't believe it; it's the greatest moment of my life."

In her father's enforced absence Joanna, along with the assistant trainer, Charlie Brooks, has been carrying on the family show. "I suppose you could call me the assistant

to the assistant," she said.

"When you have runners at two meetings it can get pretty hectic. But it's been a team effort. We always thought Celtic Shot had a good chance. Despite his bad run at Sandown — we felt all the horses were a bit down at that time — we kept faith and now he's proved us right."

The euphoria of the afternoon contrasted strongly with the more gloomy atmosphere in the Winter household yesterday morning. Cheltenham has never been the great man's favourite course — he has won a lot but lost a lot, too — but Cheltenham without Fred Winter is like Cheltenham without rain.

"It didn't seem quite the same, did not coming with me. He might not have liked all the crowds here, and he was

stopped for speeding on the way to the course last year, but he was not too pleased to miss out, as you can imagine."

Winter has been spending much of his unwanted free time since his accident working with the physio and the speech therapist. He is not a man who likes to be cooped up; but Joanna says, he has been a surprisingly good patient.

"He won't be back racing this season but he's up and about and doing as well as he can. A nice warm summer holiday should do him the world of good."

No sooner had she received her trophy on behalf of her father than Joanna was on the telephone to Lambourn. "Mum stayed at home as well, so I gave them a call. Obviously, they were absolutely delighted."

Peter Scudamore, the champion jockey, who rode Celtic Shot on only his third day back after a three-week suspension, is not generally an emotional man. He tends to accept winners with the ease of a bookmaker taking money but even his natural calm was broken as well-wishers grabbed him by the hand and patted him on the back.

He knew that they were as much for Winter as for him. It did not bother him. "I'm really delighted for Mr. Winter. I think everyone is. Nothing could have done him more good."

All being well, Winter will be back on the racecourse again next season. "He's really trying his hardest," Joanna said. "He's a real fighter." Just like Celtic Shot. More racing, pages 44 and 45

## Security priority at Arms Park

By David Hands, Rugby Correspondent

Tough action is planned by police and stewards for the Rugby Union international between Wales and France at Cardiff Arms Park on Saturday, in an effort to ensure there is no repeat of the crowd problems that were experienced during the last international in Cardiff.

Details of the problems — and the solutions planned for the weekend — have been presented to South Glamorgan Public Protection Committee by Nic Neal, the County Council chief solicitor.

There will be a publicity campaign to encourage people to get to the ground in good time, and police will be at every turnstile, ready to act against anyone either trying to get in without a ticket or accepting money to let someone in.

There will be additional stewards in the concourse leading to the south enclosure, and more police and stewards in front of the terraces to ensure better distribution of fans. And police and fire chiefs will videotape the day's events for future reference.

Police disclosed yesterday that a trustee operator, aged 18, has been charged under the Prevention of Corruption Act for accepting a £10 bribe from a ticketless fan at the Wales v Scotland game.

The Welsh selectors, who will meet this afternoon to oversee their team's final preparations for Saturday's game, will wait until after the Schweppes Welsh Cup semi-finals before announcing their tour party for New Zealand.

The semi-finals will be played on March 26; the tour party will be known two days later. The more immediate need, however, is to ensure the fitness of Norster, the Cardiff lock, for Saturday's game. He did not train on Monday because the selectors felt it would be better to give him injured shoulder more rest.

PARIS: Jean-Charles Orso, the Toulon lock, yesterday became the third player to withdraw from the French side to play Wales on Saturday (AFP reports). Orso has suffered ribs and will be replaced by Jean Condom, of Biarritz. France have already lost Philippe Berot and Didier Camberabero through injury.

## British Board ignores IAAF request to withdraw Budd

By Pat Butcher, Athletics Correspondent

Zola Budd still has one foot on the tarmac and one on the plane which leaves tomorrow for New Zealand and the world cross-country championships.

The British Amateur Athletic Board (BAAB) has ignored the International Amateur Athletic Federation (IAAF) request to withdraw Budd from the race in Auckland on March 26 and told the IAAF officers that, if they want Budd out of the championships, they will have to do it themselves, rather than put the onus on the BAAB.

The Board took a sworn affidavit from Budd yesterday morning, refuting allegations of "new evidence" from the IAAF that she was involved in race meetings in South Africa last year.

A statement was then issued yesterday afternoon saying that if the IAAF required the athlete to be withdrawn from the team it should instruct the BAAB to do so.

The IAAF wrote to the BAAB last Friday, asking for Budd to be withdrawn from the team pending an investigation into allegations that she

had raced in South Africa last June. Since South Africa is suspended from the IAAF over its apartheid policies, anyone competing in the republic runs the risk of suspension.

Ethiopia joined Kenya yesterday in threatening to withdraw if Budd runs in New Zealand. The two nations' athletes have dominated the men's championship in the last seven years. The Kenyan threat came on Monday and was echoed in Addis Ababa yesterday. Kiflemariam, the head of international sporting relations at the Ministry of Culture and Sport, said Ethiopia would "fight all overt and covert attempts to bust sporting sanctions against the apartheid regime in South Africa."

There was no response from the IAAF yesterday but there seems little doubt that it will instruct the BAAB to withdraw Budd from the Auckland team.

John Bryant, Budd's coaching adviser, saw no alternative to that scenario. He said that Budd would be taking legal advice if and when it happened, but he was circumspect

about taking legal action against the IAAF.

However, a request for an injunction against Budd's removal from the team would be easy to do, since the IAAF offices are in London.

Budd said yesterday: "I am carrying on training as normal and, in the meantime, I will just have to wait and see how things go, but I can't see any reason why I should be withdrawn from the competition." But the likelihood of that was welcomed in New Zealand, whose ministers are worried about the implications for the 1990 Commonwealth Games in Auckland if Budd competes next week.

Peter Richards, the president of the New Zealand AAA, said the threat of a boycott would be averted by Budd's withdrawal and anti-apartheid campaigners, who had threatened disturbances, claimed a "massive victory" — a little prematurely, but doubtless right, after an affair which does no one credit.

If Budd is withdrawn, there will now be equally massive pressure on the IAAF to make her suspension permanent.

## Dutch vet ticket sales to prevent danger

By John Goodbody

The Netherlands have taken stringent measures to prevent tickets for the European Football Championship this summer from being obtained by known troublemakers.

The Dutch, who have been swamped by more than 400,000 demands for the 71,634 tickets available for the three preliminary games in England's group, are using computer vetting to identify likely troublemakers. The game against England in Disseldorf on June 15 is potentially a violent one because of the reputation of the two sets of supporters.

Applicants are required to fill in forms containing extensive questions on personal data. The forms are then checked against the records of 2,100 known hooligans.

The Dutch are also insisting that tickets be sold only to groups, such as clubs or firms, with at least 50 members, and that all should agree to travel

to West Germany under approved charter arrangements.

Wilhelm Hennes, who is in charge of security for the tournament which takes place from June 10 to 25, said: "Foreign federations are responsible for the fans who receive their allocation on tickets. We strongly approve of the Dutch moves."

The Football Association is also screening supporters. It has a card index of known troublemakers and will check the identity of every person who has applied for tickets to recognized travel agents. A spokesman for the FA said that it had applications for about 30,000 tickets for England's three preliminary games. "We have enough tickets to cover the demand."

Colin Moynihan, the Minister for Sport, has written to the West German Sports Minister asking that there should be no sale of tickets on the day of England matches.

## BAAB bid for cup

The British Amateur Athletic Board (BAAB) has applied to stage the 1989 European Cup final in Gateshead. A meeting of the European Federation in Stavanger, Norway in May will decide between Gateshead and Frankfurt.

Tony Ward, BAAB spokesman, said: "We are one of the top athletics countries in the world, with more televised meetings than any other nation. It makes sense to bid for the major event and Gateshead is ready to back us."

## Back best

Igor Poliansky, of the Soviet Union, has set a 100 metres backstroke world record of 55.17sec in a home meeting against East Germany.

## Round sum

Pre-match ticket sales for the Oval Test between England and West Indies have passed £200,000, a record.

## SPORT IN BRIEF



Doyle: building up

## Pursuit pursuit

Tony Doyle, of Britain, flew to Australia yesterday for three weeks' racing in Perth. His programme includes track and city centre road events as part of his build-up for the world pursuit championship.

## Second try

The Rugby League University match, postponed yesterday because of a waterlogged pitch, will be played at Headingley on either April 12 or April 19.

## Christie date

Two Frenchmen are expected to defend their titles against Britons: Thomas Naklankete, European light-welterweight, against Lloyd Christie, in Wastouel on April 8, and Fabrice Benichou, European bantamweight, against Brian Holmes, in Bayonne on April 9.

## Coe runs

Sebastian Coe will run for Haringey in the Thames Valley Harriers road relay at Cranford on Saturday.

## Turn of wheel

Lisa Whibberley has been signed by Essex Radio Hammers, the first woman speedway rider to be registered under contract since the 1920s.

## Town share

Huddersfield Town, bottom of the second division, are to offer £100,000 worth of £1 shares to the club's patrons' association later this year in an effort to raise funds.

## Cardiff remains hopeful

Cardiff refuses to accept that Delhi is the front-runner in the race to host the 1994 Commonwealth Games. Ron Watkiss, vice-chairman of the Cardiff Commonwealth Games steering committee, is still hopeful the Welsh city will get the Games.

"It's nonsense to suggest that India are now the favourites because they've finally submitted their bid," he said. "The much vaunted Indian infrastructure and facilities will be over 10 years old by the time the Games take place. Our stadium and amenities will be new and able to stand comparison with anywhere else in the world let alone the Commonwealth."

"Of course it would be nice if a developing country was given the Games. It would also be nice if a small nation like Wales was granted the opportunity to host the event," Watkiss said.

## Imran has a lonely battle against pace

From John Streeton, St John's, Antigua

Pakistan were unable to redeem a poor start here yesterday in the second one-day international after the West Indian fast bowlers proved too much for the early batsmen. Pakistan made 166 for nine in 46 overs.

Imran Khan fought hard as he made 53 in 29 overs, but overall the Pakistanis were outgunned.

Both teams made enforced late changes. West Indies brought in Best when Haynes twisted his ankle at pre-match practice. Pakistan decided to risk Wasim Akram, their left-arm fast bowler, when Tauseef Ahmed, the off-spinner, dropped out with a sore shoulder. Akram has not played for eight weeks after hernia and groin operations.

Pakistan also included the more experienced Mudassar Nazar instead of Shoaib Moh-

ammad, but hopes of a better start were quickly dashed, though, after Greenidge gave them first use of a hard, bouncy pitch. After 15 overs they were 40 for four, their innings in ruins.

Ramiz Raja pushed a catch to mid-wicket off Patterson before Salim Malik and Mudassar were dismissed in Ambrose's third and fourth overs. Javed Miandad and Ijaz Ahmed attempted little until Ijaz tried a forcing leg-side stroke off Benjamin and Simmons at short leg took a reflex catch with both hands above his head. Javed and Imran added 32 before Javed was caught behind as the innings reached its halfway point. Javed was trying to steer the ball to third man.

Benjamin took his third wicket when Naved Anjum's leg stump was knocked back.